



BANK OF ÅLAND

**ANNUAL REPORT
2003**

www.alandsbanken.fi

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BANK OF ÅLAND PLC

(GROUP HIGHLIGHTS)

EUR M **2003** **2002**

INCOME STATEMENT IN BRIEF

Net income from financial items	29.6	31.5
Other income	19.9	16.7
Expenses	-34.4	-33.2
Loan losses	0.1	-0.7
Net operating profit	15.2	14.2

SELECTED BALANCE SHEET ITEMS, DECEMBER 31

Lending	1,385.3	1,259.6
Deposits, including bonds issued	1,398.3	1,410.4
Equity capital	100.9	87.5
Total assets	1,851.5	1,812.6

FINANCIAL RATIOS ETC

Return on equity, %	11.4	11.5
Equity capital per share, EUR	9.22	8.69
Earnings per share after taxes, EUR	1.02	1.00
Risk-based capital ratio, %	11.4	11.0
Number of offices	28	28
Number of employees	375	367
(total hours worked recalculated as full-time equivalents)		

FINANCIAL INFORMATION ON THE BANK OF ÅLAND

The Bank of Åland will publish the following Interim Reports during the 2004 financial year:

- The January–March Interim Report will appear on Thursday, April 22, 2004
- The January–June Interim Report will appear on Thursday, August 19, 2004
- The January–September Interim Report will appear on Friday, October 22, 2004

These Interim Reports will be published on the Internet: www.alandsbanken.fi

They can also be ordered from:

Secretariat, Bank of Åland Plc, P.O. Box 3, FIN-22101 Mariehamn, Åland, Finland

The Head Office of the Bank of Åland is in Mariehamn, capital of the autonomous Finnish province of Åland. Located in the Baltic Sea midway between Sweden and Finland, the 6,400-island Åland archipelago has 26,000 inhabitants. Its official language is Swedish.

This translation of the Swedish-language Annual Report uses the international currency codes for European Central Bank euros (EUR) – which is the currency of Finland – as well as U.S. dollars (USD) and Swedish kronor (SEK). At year-end 2003, the buying rate for EUR 1 was USD 1,2597.

“The Bank” refers to the Bank of Åland Plc (Ålandsbanken Abp), Parent Company of the Bank of Åland Group. Amounts have generally been rounded off to millions or thousands, but percentage figures, totals, ratios etc. are calculated on the exact amounts. The abbreviation M refers to million(s); K means thousand(s). Finnish-language place names are sometimes followed in parentheses by the corresponding Swedish-language place name.



The Executive Team consists of (from the left) Anders Ingves, Bengt Lundberg, Edgar Vickström, Dan-Erik Woivalin, Lars Donner and Jan Tallqvist.

COMMENTS BY THE EXECUTIVE TEAM

EXTERNAL FACTORS

During 2003, financial markets were characterised by economic recovery and mounting optimism. Early in the year, however, crisis awareness was high and the approaching war in Iraq added to unrest. The war was relatively short and beginning in the early summer, the American economy showed increasing signs of entering a recovery phase. Greater capital spending and continued strong private consumption helped boost growth in the American economy to a full 8.3 per cent annualised rate during the third quarter of 2003. The world economy and especially the countries in South East Asia benefited from China's increased presence in the global market. In the twelve-country Economic and Monetary Union (EMU), or euro zone, growth was weak during 2003, especially in the first half. During the second quarter of the year, Germany, France and Italy showed negative growth. Private consumption was weak, while the appreciation of the euro against other currencies dampened export potential. The Finnish economy coped relatively well with these conditions. The strong central government finances of recent years made tax cuts possible. Together with low interest rates, this stimulated private consumption.

The money and bond markets

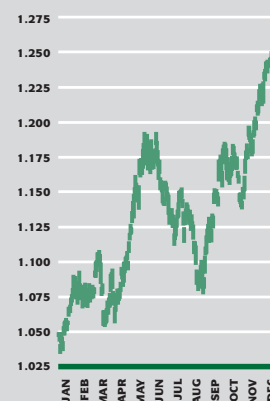
Weak growth combined with modest inflation in the EMU area persuaded the European Central Bank (ECB) to lower its key interest rate twice during the year. In March, the ECB cut its refi rate from 2.75 per cent to 2.50 per cent. In early June it carried out a further rate cut, this time by 50 basis points. After the June rate cut, the ECB's key rate remained unchanged at 2.0 per cent.

The Federal Reserve – the US central bank – lowered its federal funds rate to 1.0 per cent on June 25, citing a certain risk of deflation in the American economy. This key rate remained unchanged during the rest of 2003. Backed by increasingly positive economic statistics, the Fed concluded in December that the deflation risk had disappeared. However, owing to the weak labour market and low inflationary pressure, late in the year the bank indicated that its key rate would remain unchanged in the foreseeable future.

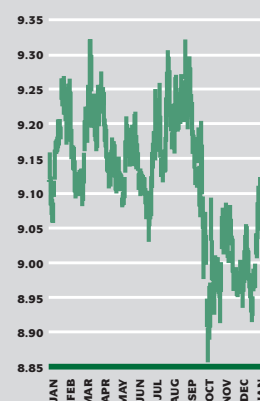
The foreign exchange market

Despite strong economic signals from the United States, especially during the autumn, the US dollar continued to weaken against the euro. Underlying fac-

EUR/USD exchange rates, 2003

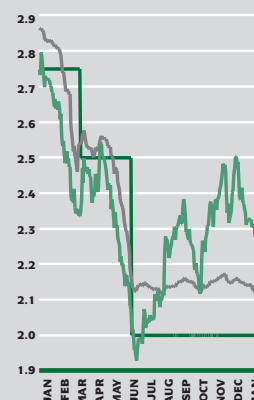


EUR/SEK exchange rates, 2003



Interest rates

- 12-mo EURIBOR
- 3-mo EURIBOR
- ECB key rate



tors were that imbalances in the American economy and the federal budget increased during 2003, among other things because the US was involved in several geopolitical conflicts. Another reason for the weakening of the dollar was that the US had lower short-term interest rates than the EMU area throughout 2003. At the beginning of the year, the euro was trading at USD 1.04. By year-end it was trading at USD 1.26. In other words, the euro strengthened by 21 per cent against the dollar during 2003.

Exchange rates for the Swedish krona reflected developments related to the September 14, 2003 referendum on whether Sweden should join the euro zone. When 2003 began, the euro was trading at SEK 9.12. During the first eight months of the year, the trend of the krona was highly influenced by public opinion surveys. The currency traded with a premium, due to the prevailing uncertainty about the outcome of the referendum. When the krona was at its weakest, a euro cost SEK 9.30. After the referendum, the krona strengthened, even though the outcome had been a rejection of euro zone membership.

This was mainly because the uncertainty premium disappeared, allowing attention to focus again on economic fundamentals in Sweden. These were considered better than in most EMU countries. Late in September, the EUR/SEK exchange rate had dropped to 8.90, and at year-end a euro cost just above SEK 9.

The stock market

The year 2003 was the first since 1999 that ended with an upturn in stock markets. Due to the rapid course of the Iraq war, the historically high risk premiums that were evident early in the year gradually began to normalise during the summer. For some time, listed companies had been working to lower their costs and thereby improve earnings. Analysts had generally been too negative in their assessments, and they adjusted earnings forecasts upward during the summer. Together with increasingly robust economic indicators, this persuaded the market to assign higher values to listed companies. In the US, the profits of listed companies rose by more than 20 per cent during the second half, compared to the year before, which further increased confidence in the stock market. The technology-dominated Nasdaq exchange in the US, which fell by 68 per cent during the years 2000-2002, climbed 50 per cent during 2003. Overall, US stock markets showed stronger growth than their European counterparts. The broad S&P500 share index rose by 26 per cent during 2003, while the European Stoxx50 index and the Helsinki Stock Exchange's HEX Portfolio index each rose 16 per cent. Taking the weakening of the dollar into account, the S&P500 rose by only 5 per cent.

On the Helsinki Stock Exchange, investors were interested at first in cyclical companies, which were viewed as poised to benefit from the expected recovery in the world economy. In addition, technology companies were at an advantage because after the crisis

years 2000–2002, their economic potential was considered high. Shares of the telecom giant Nokia, Finland's dominant listed company, nevertheless moved sideways during much of the year, since the market was disappointed at the lack of sales growth. During the autumn, the Finnish government proposed the abolition of the avoik system, which eliminates double taxation of corporate profits, beginning in 2005. As a result, many companies decided on extra dividends during the autumn of 2003, while others were expected to approve extra large dividends in conjunction with their annual general meetings in the spring of 2004. Expectations of high direct yields favoured price appreciation in the shares of these companies.

The Finnish banking industry

During 2003 the banking industry was again characterised by stiffening competition. The industry's gross margin fell from 3.2 per cent to 2.6 per cent. By way of comparison, the corresponding figure in 2000 was as high as 4.3 per cent. In other words, the gross margins of Finnish banks fell by about 40 per cent in three years.

The continued decline in interest rates helped to further squeeze the profitability of traditional deposit-taking. Since opportunities to compete for lending business on the basis of price has practically been eliminated, there is unfortunately a noticeable tendency for banks to compete instead by boosting indebtedness levels. Late in the year, some banks again spoke of a need for staff cutbacks.

The number of market players increased when Nooa Bank began operations in collaboration with the Pohjola insurance group. At the beginning of 2004, Tapiola Bank – affiliated with the Tapiola insurance group – also began operations. Taken together, narrower margins, low interest rates and more players in a mature market add up to a "chaotic market". In such a market it is difficult for consumers to distinguish one brand from another, advertising investments tend to intensify and price plays a major role in the choice of supplier. Players in such a market have to choose between using economies of scale to deliver the cheapest possible product or, as a niche player, deliver the best possible product to a given segment.

THE BANK OF ÅLAND'S OPERATIONS

In 2003, the operations of the Bank of Åland were characterised by governance reform and management changes, as well as employee dedication in implementing the Bank's relationship management strategy.

Governance reform and management changes New Articles of Association

To modernise the governance of the Bank of Åland, the Supervisory Board proposed new Articles of Association, which the Annual General Meeting of shareholders unanimously approved on March 13, 2003. Among other things, the Articles of Association now state

that the Chairman of the Board of Directors and the Managing Director of the Bank may not be the same person. The term of office of the Board of Directors is one calendar year, and it is appointed by the Bank's Supervisory Board.

New Board of Directors

On April 24, the Supervisory Board appointed an external Board of Directors, replacing the system in which the Bank's Board of Management had also served as the Board of Directors. The new Board of Directors consists of Göran Lindholm, Chairman; Leif Nordlund, Vice Chairman; Sven-Harry Boman, Kent Janér, Agneta Karlsson and Tom Palmberg. None of the members of the Board of Directors is an employee of the Bank.

The Board of Directors took office on May 9 and held 13 meetings during the year. Its members devoted a great deal of effort to becoming familiar with the Bank, its strategy and culture. During the autumn, the Board approved a resolution declaring that the Bank will continue working according to a "relationship bank" strategy. On December 11, the Board was re-elected for 2004.

New organisational structure

At its November 14 meeting, the Board of Directors approved a partial renewal of the Bank's organisational structure. The Private Banking Division and the other Bank offices on the Finnish mainland were combined into a Mainland Division. The Åland Division received a clear mandate to participate in provincial development work. A decision was made to turn the development and operation of computer systems into a separate company. To emphasise human resource and skills development, the new company was combined with the Bank's Business Development Division.

New Managing Director

During preparations for the election of the Board of Directors for 2004, the Board and the Bank's Managing Director and Chief Executive Officer, Folke Husell, had such difficulty working together that on December 11, the Supervisory Board of the Bank decided to dismiss the Managing Director and CEO. At the same time, the Deputy CEO, Edgar Vickström, was appointed Acting Managing Director.

New Executive Team members

On December 11, Bengt Lundberg and Dan-Erik Woivalin were appointed new members of the Bank's renamed Executive Team (formerly the Board of Management). Continuing members of the Executive Team are Edgar Vickström, Lars Donner, Anders Ingves and Jan Tallqvist. Recruitment of a Head of the Mainland Division is currently under way.

New presiding officers of the Supervisory Board

On December 16 Anders Wiklöf, Chairman of the Supervisory

Board, resigned of his own volition. On December 22 the previous Vice Chairman, Kjell Clemes, was elected the new Chairman of the Supervisory Board and Trygve Eriksson as the new Vice Chairman.

Implementation of the relationship banking strategy

Since the autumn of 1999, the strategy of the Bank has been to further develop a working method based on deepening its customer relationships – both through personal encounters with the customer and over the Internet. The Bank of Åland brand and the service that it stands for is a premium brand on the Finnish mainland. In the province of Åland, we are the market-leading bank. Our strategy work has been honoured by a very gratifying distinction, the CERS Award of the Swedish School of Economics and Business Administration in Helsinki.

Market surveys conducted by the Bank show that our customers are becoming increasingly loyal and that they appreciate their relationship with the Bank. The service provided at our 20 Åland and eight Finnish mainland offices is perceived as personal, warm, fast, flexible and innovative.

Deposits and lending

The employees of the Bank of Åland have responded to tough competition in a commendable way. The Bank's primary focus on loans secured by residential property has been successful without increasing the Bank's risk exposure. Its home mortgage loans outstanding increased by 12.6 per cent. During the year, gross loan losses amounted to 0.01 per cent of the loan portfolio.

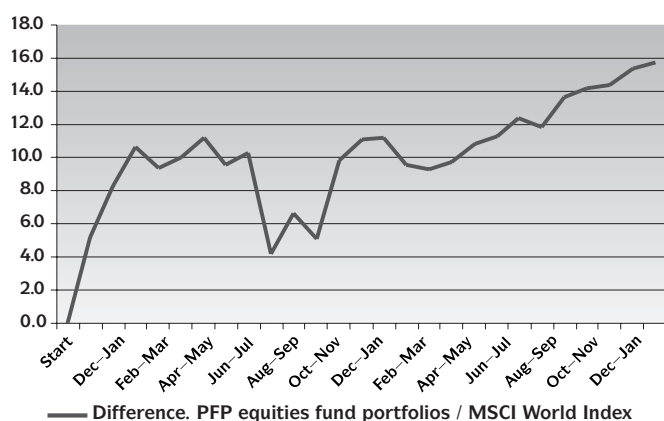
Total deposits from the public fell by 0.9 per cent. However, deposit accounts from the public rose by 3.6 per cent.

Share index bonds

During the year, the Bank launched seven new share index bonds in a total amount of EUR 54.0 M. The Bank's market share, counting share index bonds issued by Finnish banks to the public, was 18 per cent.

Personal Financial Planning

A growing number of customers signed up for the Bank's advisory service concept for investors. This concept is based on a long-term commitment and personalised advisory services, calculated risk-taking with the help of modern portfolio theory and attention to market trends based on the Bank's analysis. The pace of the PFP product launch did not meet our expectations in all respects, but sales rose late in 2003. In addition to providing support to investors in their decision-making, our advisory concept will also serve as an internal tool in the task of quality-assuring our investment advice. The portfolio returns achieved by PFP are encouraging, as the chart on the next page indicates.



Source: Bank of Åland and Ecwin

The chart shows the percentage difference in return between the equity fund portfolios recommended by Personal Financial Planning since its start-up in November 2001 and the return that would have been received by making a corresponding investment in Morgan Stanley's world index. The PFP portfolios and the world index have equal risk levels and the return on both is measured in euros.

Systems deliveries and negotiations

Delivery of the banking computer system to Tapiola Bank followed the project plan and was approved by the customer on December 19. Another new customer for the Bank of Åland banking computer system is Den norske Bank in Norway, which signed an agreement during the spring of 2003 for delivery of certain modules in the system. In May, Finland's Aktia Savings Bank and the Bank of Åland signed a letter of intent, among other things declaring their interest in two possible areas of cooperation:

- Sale of a licence to Aktia Savings Banks for the Bank of Åland's banking computer system
- A resources company that would produce administrative support services for both banks

The task of conducting feasibility studies about the resource company and the conversion to the Bank of Åland's banking computer system was demanding. Employees again showed that they could handle new challenges in an admirable way. However, negotiations with Aktia Savings Bank were terminated in January 2004 without results.

Share capital and employee warrants

During June, Aktia Savings Bank issued a public purchase offer for all employee warrants in the Bank of Åland. The offer was accepted, and Aktia bought warrants entitling it to subscribe for 774,050 Series B shares in Ålandsbanken Abp (Bank of Åland Plc). The subscription increased the shareholders' equity of the Bank of Åland by more than EUR 11.4 M.

For those employees who still held their warrants, the payment was equivalent to about five months of salary. Employee warrants were offered to all regular staff members who were employed by the Bank of Åland in March 1998.

CERS Award

In November, the Bank of Åland won the highest honour a company in Finland can earn in the field of relationship marketing and service management. The faculty of the Centre for Relationship Marketing and Service Management (CERS) at the Swedish School of Economics and Business Administration in Helsinki established the CERS Award in 1999. Applications from participating companies are assessed by an international Jury, which explained its selection of the 2003 winner by saying that "The Bank of Åland is an outstanding example of how the principles of relationship marketing can be implemented in the banking industry." The Jury also felt that "the Bank of Åland shows a genuine interest in relationship marketing that goes deeper than superficial slogans" and that the Bank has achieved major advances in the implementation of its relationship marketing strategy. Professor Christian Grönroos of the Swedish School of Economics and Business Administration, who was Chairman of the Jury, describes the Bank of Åland's relationship philosophy as follows: "The Bank of Åland's focus on personal service and the customer orientation of its Internet bank reflect a preservation of the human touch in its operations even when emphasising IT-based banking, which should be characteristic of a relationship-based strategy."

THE FUTURE

The future will hold many challenges for a small bank. In a world where the big tend to become even bigger, however, there is an increasing need for a small, agile player that is willing and able to focus on certain market segments. We focus on being the market leader in Åland and on financially active individuals in major Finnish cities. The fact that the Bank of Åland's computer system is also highly suitable for other small banks is a circumstance that contributes further to our optimism and faith in the future.

The Åland Division

We want to be a bank for all of Åland. During 2004 our service development efforts will focus on companies and financially active individuals as well as young customers. The Bank will actively participate in cooperation and dialogue concerning development of infrastructure and the business sector in the province.

The Mainland Division – premium banking

On the Finnish mainland, we wish to be perceived as a premium brand, and we are. In our day-to-day work, we are a bank that stays close to customers and tailors our services for them. During 2004 we will further concretise, implement and quality-assure this strategy.

Investment banking

We wish to generate growth and new business areas by serving as a base for innovative entrepreneurs in the financial field. In addition, in this sector we wish to create the prerequisites for the Bank's investor advisors to be among the best in the market.

Continued sales of banking computer systems

We would like to sell additional banking computer system licences in Finland and do not rule out the possibility of selling equivalent licences abroad in collaboration with an international market player. During 2004, these operations will be restructured into a separate company.

EARNINGS

In 2003, the Bank of Åland Group's consolidated net operating profit was EUR 15.2 M, compared to EUR 14.2 M the year before.

The parent Bank of Åland's net operating profit rose by more than 16 per cent to EUR 15.5 M.

The earnings from the Bank's customer transactions ended up largely unchanged, despite hard work and higher volume. The market situation described earlier, especially low interest rates, pulled down earnings in older branches, but this was offset by improved earnings at more recently established offices, whose balance sheets do not contain traditional deposits to an equally high degree. The overall contribution to earnings from customer transactions amounted to EUR 21.1 M.

The investment banking sector, whose operations consist of support to branch offices, trading for the Bank's own account and portfolio management, contributed EUR 5.5 M, compared to EUR 3.2 M the year before. The improvement is mainly attributable to dividends and capital gains generated in the Bank's portfolios. During the year, the Bank decreased its shareholdings in the Helsinki Stockholm Exchange (HEX) and Chips, the Åland-based food processing company. The contribution of the Systems Sales business area rose from EUR 2.3 M to EUR 2.7 M.

Head office expenses for the maintenance of backup services to profit centres rose from EUR 13.2 M to EUR 13.8 M.

EARNINGS STRUCTURE	2003	2002
Contribution from operations		
– branch offices	21,134	20,987
– Investment Banking Division, incl. portfolio management	5,484	3,233
– systems sales	2,651	2,290
Head office expenses	-13,786	-13,185
NET OPERATING PROFIT, THE BANK	15,483	13,325

GRATITUDE

On behalf of ourselves as well as the Supervisory Board and the Board of Directors, we would like to express our gratitude to shareholders and customers for the confidence you have shown us and for your smooth collaboration. Thanks to all of you, the Bank of Åland continues to perform favourably.

We would also like to thank the former Managing Director and CEO of the Bank, Folke Husell, who left the Bank late in 2003 after having led this organisation for more than 17 successful years.

We would like to convey special gratitude to all our fellow employees. This past year was characterised by increased competition and many new projects. You chose to view all this as an inspiring challenge and you handled them brilliantly. Together with you, we are ready to face the future.

Mariehamn, February 2004

The Bank of Åland Executive Team

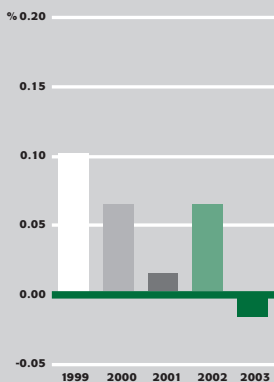
REPORT OF THE DIRECTORS



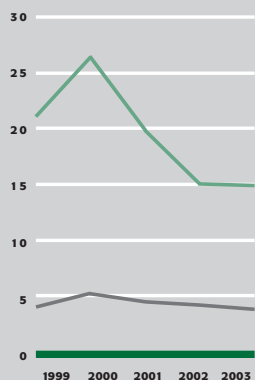
The Board of Directors includes (from the left) Sven-Harry Boman, Göran Lindholm, Leif Nordlund, Tom Palmberg and Kent Janér. Missing from the photo is Agneta Karlsson.

OPERATING RESULTS AND PROFITABILITY

Loan losses as a percentage of receivables and contingent liabilities



Return on equity capital and reserves
Yield on 5-year Finnish government bond



Earnings

In 2003, consolidated net operating profit amounted to EUR 15.2 M (14.2), an increase of EUR 1.0 M or 6.7 per cent compared to the year before. The improvement in earnings was primarily due to appreciation in the value of the Bank's share portfolios and growing income from the computer systems sales business area.

Return on equity before taxes for the year, measured as net operating profit divided by average equity capital and reserves, was 15.0 per cent. The Bank thus yielded a return on its shareholders' equity about 11 percentage points higher than five-year bond yields.

Net income from financial operations

Narrowing customer margins – due to tough competition and lower return on the Bank's core capital as a consequence of prevailing interest rates – caused consolidated income from financial operations to fall by EUR 1.9 M to EUR 29.6 M (31.5), despite larger total volume.

Other income

Dividend income rose by EUR 0.4 M to EUR 1.2 M (0.8). Commission income reached EUR 10.3 M, about the level of the year before.

Income from stock brokerage and capital market products was at a low level, caused by small demand.

During the fourth quarter, however, demand increased significantly. Capital gains and value appreciation in the Bank's stock portfolios caused a sharp increase in net income from the Bank's own securities trading, which reached EUR 1.9 M (0.4). Foreign exchange dealing resulted in a net income somewhat lower than in 2002, totalling EUR 0.8 M. Other operating income amounted to EUR 5.6 M (3.9). This included EUR 4.5 M (3.0) in income from the sale of banking computer systems.

Other income rose by EUR 3.4 M or 20.9 per cent to EUR 19.8 M (16.4).

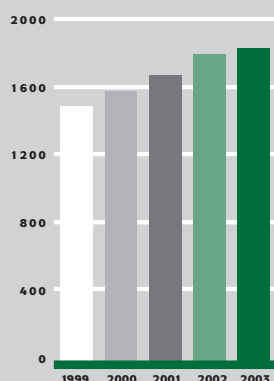
Total income – net income from financial operations plus other income – amounted to EUR 49.4 M (47.9).

Expenses

Staff costs amounted to EUR 18.9 M (16.4). New recruitments and salary adjustments in compliance with collective agreements raised staff costs by EUR 1.4 M. In addition, a provision of about EUR 1 M was made among these costs as a consequence of the dismissal of the Bank's Managing Director and CEO.

Other administrative expenses (office, marketing, communications and computer costs) declined by EUR 0.7 M to EUR 8.2 M (8.9). Depreciation/amortisation was EUR 0.6 M less than the year before and totalled EUR 2.3 M (2.9), while other operating expenses were unchanged at EUR 3.9 M.

Total assets (balance sheet total), EUR M



Total expenses including planned depreciation rose by EUR 1.2 M to EUR 34.4 M (33.2). Excluding nonrecurring items in 2003, expenses were at about their 2002 level.

Loan losses

Net loan losses amounted to EUR -0.1 M (recovery), compared to EUR 0.7 M (loss) the year before. Reported net loan losses as a percentage of the Bank's receivables and contingent liabilities amounted to -0.01 (0.06) per cent.

Appropriations

The Bank's accumulated appropriations in the form of voluntary provisions totalled EUR 22.7 M (22.7).

Balance sheet total

The balance sheet total rose by 2.1 per cent to EUR 1,851 M (1,813).

Tax carry-forwards

Unutilised tax carry-forwards amounted to EUR 0.3 M. These carry-forwards would allow an increased dividend distribution of EUR 0.06 per share without tax consequences.

However, the availability of unrestricted equity capital limits the possibility of an increased dividend to EUR 0.02 per share.

Personnel

At the end of 2003, the number of employees – recalculated as full-time equivalents – was 375. This was an increase of eight positions compared to year-end 2002.

Return on equity

Return on equity, measured as net operating profit divided by average equity capital and reserves:¹

	2003		2002	
	EUR M	Return on equity	EUR M	Return on equity
Net operating income	15.2	15.0 %	14.2	15.1 %
¹	Net operating income			
	Average of equity capital – capital loans + imputed tax liability			

Profit margin

Profit margin is calculated as net operating profit minus standard tax as a percentage of total income. The profit margin of the Bank of Åland Group rose from 20.9 per cent in 2002 to 21.7 per cent in 2003.

Income/expense ratio

Efficiency measured as income divided by expenses including depreciation – before and after loan losses, respectively:

	2003	2002
Income/expenses ratio before loan losses	1.44	1.45
Income/expense ratio after loan losses	1.44	1.42

Capital adequacy

Capital adequacy rules require that the capital base in the form of equity capital and reserves total at least 8 per cent of risk-weighted receivables and contingent liabilities.

The Group's capital adequacy according to the Credit Institutions Act:

	Dec 31, 2003	Dec 31, 2002
<i>Capital base, EUR M</i>		
Core capital	86.5	73.3
Supplementary capital	20.3	23.2
Total capital base	106.8	96.5
Risk-weighted volume, EUR M	932.7	879.4
Total capital ratio, %	11.45	10.98
Core capital as percentage of risk-weighted volume	9.27	8.34

Forecast for 2004

Despite stiff competition, net income from financial operations is projected to be unchanged and commission income is projected to rise. The Bank's securities holdings are expected to generate less income. Expenses are predicted to decrease. Loan losses are projected to remain at a low level. Altogether, the probable outcome is that in 2004, earnings will reach their 2003 level.

IAS/IFRS

According to a decision of the European Union, publicly listed companies in member countries must apply International Accounting Standards/International Financial Reporting Standards (IAS/IFRS) beginning with 2005.

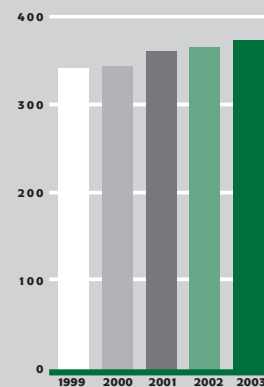
At the Bank of Åland, preparations for the introduction of these standards are proceeding as planned.

The Bank does not expect the transition to IAS/IFRS to have a significant effect on its equity capital.

Important events after the close of the financial period

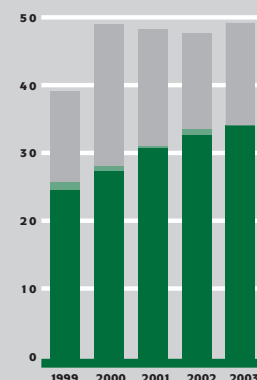
In May 2003, Finland's Aktia Savings Bank and the Bank of Åland signed a letter of intent concerning administrative cooperation between them. These negotiations were terminated in January 2004 without results.

Number of employees (recalculated as full-time equivalents)

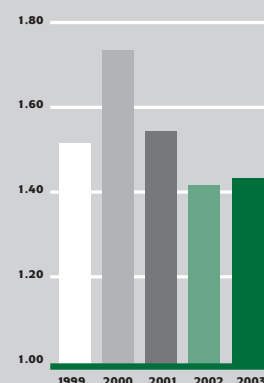


Net operating profit, EUR M

● Expenses
● Loan losses
● Net operating profit



Income/expense ratio after loan losses



THE BANK'S CORPORATE GOVERNANCE

During December, the Helsinki Stock Exchange adopted a new recommendation concerning corporate governance in publicly listed companies.

This recommendation enters into force on July 1, 2004, but listed companies are entitled to observe and apply the recommendation even before its effective date.

The Bank has decided to apply the recommendation immediately to the extent it concerns the information provided in the Annual Report for the financial year 2003. The other portions of the recommendation will be applied starting not later than July 1, 2004.

THE SUPERVISORY BOARD

The members of the Supervisory Board are elected by the Bank's General Meeting of Shareholders for a term of three years. A member may not have attained the age of 67 before this term begins.

The task of the Supervisory Board is to oversee the management of the Bank by the Board of Directors and the Managing Director, fix their remuneration and terms of work and issue a statement to the Annual General Meeting of Shareholders with regard to the Bank's annual financial statements, consolidated financial statements and auditors' report. In addition, the Supervisory Board also fixes the number of members of the Board of Directors and appoints and discharges the Chairman of the Board, the members of the Board and the Managing Director.

The Supervisory Board also decides upon matters concerning significant curtailment or expansion of operations.

The Supervisory Board of the Bank has the following composition:

KJELL CLEMES, <i>Chairman</i>	<i>Managing Director, Transmar Ab</i>	born 1948 member since 1994
GÖRAN BENGTZ	<i>Farmer</i>	born 1941 member since 1980
JOHAN EKLUND	<i>Managing Director, Baltic Petroleum</i>	born 1953 member since 1997
TRYGVE ERIKSSON	<i>Managing Director, Eriksson Capital Ab</i>	born 1947 member since 1990
BEN LUNDQVIST	<i>Managing Director, Lundqvist Rederierna Ab</i>	born 1943 member since 1992
TRYGVE SUNDBLOM	<i>Agronomist</i>	born 1962 member since 2002

During 2003, Supervisory Board members Göran Lindholm and Leif Nordlund resigned, since they had been elected members of the Bank's Board of Directors. The former Chairman of the Supervisory Board, Anders Wiklöf, resigned of his own volition.

The fees of the Supervisory Board are fixed by the Bank's General Meeting of Shareholders. Information on the fees paid to the Supervisory Board is provided in the notes to the financial statements in this Annual Report.

During 2003, the Supervisory Board met eight times.

Inspectors

The Supervisory Board appoints among themselves inspectors whose task is to regularly examine the management and administration of the Bank. Special importance is attached to risk control and ethical issues.

Operating as the Supervisory Board's inspectors are Kjell Clemes, Chairman, Johan Eklund and Trygve Sundblom.

Nomination committee

The Supervisory Board appointed a nomination committee entrusted with proposing members of the Bank's Supervisory Board to the General Meeting of Shareholders and proposing members of the Bank's Board of Directors to the Supervisory Board.

The mandate of the nomination committee is valid until further notice.

The nomination committee consists of Jesper Blomsterlund, Trygve Eriksson, Göran Lindholm, Leif Nordlund and Anders Wiklöf.

BOARD OF MANAGERS/BOARD OF DIRECTORS

During the year, the Bank's internal Board of Managers – consisting of Folke Husell, Chairman; Lars Donner, Anders Ingves, Jan Tallqvist and Edgar Vickström – was replaced by an external Board of Directors. The Board of Managers met 19 times during 2003.

The Board of Directors is appointed by the Supervisory Board for a term of one calendar year. The retirement age of members of the Board of Directors is 67. The Board of Directors is responsible for ensuring that the Bank is appropriately organised. The Board of Directors is also responsible for the Bank's overall policy and strategy issues as well as for ensuring that the Bank's risk control is sufficient.

The Bank's Board of Directors includes two members from among the Bank's owners and four members with experience from such fields as banking, capital markets, business administration and management. The Board of Directors took office on May 9, 2003 with the following composition:

GÖRAN LINDHOLM, <i>Chairman</i>	<i>Master of Laws</i>	born 1955 member since 2003
SVEN-HARRY BOMAN	<i>Master of Economic Sciences</i>	born 1944 member since 2003
KENT JANÉR	<i>Master of Business Administration</i>	born 1961 member since 2003
AGNETA KARLSSON	<i>Doctor of Economics</i>	born 1954 member since 2003
LEIF NORDLUND	<i>Master of Laws</i>	born 1959 member since 2003
TOM PALMBERG	<i>Master of Social Sciences</i>	born 1940 member since 2003

Serving as secretary of the Board is the Bank's Chief Legal Counsel, Dan-Erik Woivalin, Attorney at Law.

The members of the Board of Directors have no other individual duties related to the management of the Bank, besides temporary assignments that the Board may allot to its members. During 2003, Board member Tom Palmberg was allotted a time-limited assignment to prepare the recruitment of the Head of the Bank's Mainland Division. He is being paid the prevailing market fee for this assignment.

The fees of the Board of Directors are fixed by the Bank's Supervisory Board. Information about the fees paid to the members of the Board of Directors can be found in the notes to the financial statements in this Annual Report.

During 2003, the Board of Directors met 13 times. Average attendance by members at Board meetings was 92 percent.

Working groups

The Board of Directors has appointed two working groups and assigned them to examine and analyse the most important internal work instructions in the Bank, as well as risks and limits in the Bank's capital market operations.

The working group related to internal instructions consists of Göran Lindholm, Leif Nordlund and Dan-Erik Woivalin. The working group looking at capital market operations consists of Kent Janér and Bengt Lundberg. The tasks of the working groups will remain in effect until further notice. No separate fee will be paid for these assignments.

MANAGING DIRECTOR

The Managing Director is appointed by the Bank's Supervisory Board, which also establishes this executive's terms of employment. Acting Managing Director since December 11, 2003 has been Edgar Vickström, Master of Economic Sciences. Until December 11, 2003, Folke Husell, Attorney at Law, had served as Managing Director and CEO. The Managing Director is responsible for ensuring that the day-to-day management of the Bank complies with the law, the Articles of Association, internal work systems and the instructions and directions of the Board of Directors, and that the decisions of the Board of Directors and the Executive Team are implemented.

Information on the salary paid to the Managing Director and CEO can be seen in the notes to the Bank's official financial statements.

On February 13, 2004, Peter Grönlund, Master of Business Administration, was appointed Managing Director of the Bank.

EXECUTIVE TEAM

The members of the Bank's Executive Team are appointed by the Board of Directors. The Executive Team is a support body for the Managing Director with its own right of decision-making in those day-to-day management tasks and specific items of business that the Board of Directors has delegated to it. The Executive Team consists of Heads of Division and Department Managers employed by the Bank, who represent a wide range of expertise from the various divisions into which the Bank is organised.

The Executive Team has appointed a credit committee and a credit team, which are entrusted with acting as decision-making bodies on certain specified credit matters.

The Executive Team has the following composition:

EDGAR VICKSTRÖM <i>Chairman</i>	<i>Master of Economic Sciences Head of Division</i>	born 1961 member of the Board of Management since 1996/ member of the Executive Team since 2003
LARS DONNER	<i>Bachelor of Arts Head of Division</i>	born 1948 member since 1986/2003
ANDERS INGVES	<i>Marketing Economist Head of Division</i>	born 1958 member since 1999/2003
BENGT LUNDBERG	<i>Head of Division</i>	born 1944 member since 2003
JAN TALLOVIST	<i>Attorney at Law Head of Division</i>	born 1947 member since 1997/2003
DAN-ERIK WOIVALIN	<i>Attorney at Law Chief Legal Counsel</i>	born 1959 member since 2003

Information about remuneration paid to the Executive Team can be seen in the notes to the Bank's official financial statements.

During 2003, the Executive Team met 22 times.

INTERNAL AUDITING

The Internal Auditing Department consists of two positions and reports directly to the Bank's Board of Directors. The task of the Internal Auditing Department is to independently and objectively evaluate whether internal controls are sufficient, which implies that the organisation and working methods are appropriate and efficient, that financial information is reliable and that the Bank is in compliance with laws and regulatory requirements.

AUDITORS

The latest General Meeting of Shareholders appointed Per-Olof Johansson, Certified Public Accountant; Marja Tikka, Certified Public Accountant; and Leif Hermans, Certified Public Accountant as Auditors. During the year, auditing fees of EUR 96,000 including value-added tax (VAT) were paid. The Auditors were also consulted on matters concerning IAS/IFRS, VAT and other taxes. As fees for these services, EUR 14,000 including value-added tax was paid.

INSIDER RULES AND ADMINISTRATION

Those persons at the Bank who are insiders are subject to the Finnish Financial Inspection Authority's disclosure regulations on insiders, the insider rules of the Finnish Association of Securities Dealers and the Bank's internal rules.

The Bank has also accepted the Helsinki Stock Exchange's insider regulations and has introduced a trading restriction rule, by which a Bank insider is not entitled to trade in the Bank's securities during a period of 14 days before the publication of the Bank's annual accounts or Interim Reports.

The Bank is also connected to the so-called SIRE system, which means that insiders' trading in listed securities is public information and that this trading is automatically updated in the Bank's insider register.

The register manager of the Bank and the Bank's Internal Auditing Department regularly monitor the information that insiders have disclosed to the Bank's insider register.

FIVE-YEAR GROUP SUMMARY

(EUR M UNLESS OTHERWISE STATED)

	1999	2000	2001	2002	2003	% CHANGE 02-03
Revenue	67.2	96.4	99.5	88.8	80.0	-9.9
Net income from financial operations	23.4	32.1	33.4	31.5	29.6	-6.1
Other income	16.3	17.5	15.2	16.7	19.9	19.3
Other expenses (incl. depreciation)	25.0	27.9	31.2	33.2	34.4	3.7
Loan losses	1.2	0.6	0.1	0.7	-0.1	-117.8
NET OPERATING PROFIT	13.5	21.0	17.4	14.2	15.2	6.7
As % of revenue	20.1	21.8	17.4	16.0	18.9	
Extraordinary items	0.0	0.0	0.0	0.0	0.0	
Profit before appropriations and taxes	13.5	21.0	17.4	14.2	15.2	6.7
As % of revenue	20.1	21.8	17.4	16.0	18.9	
Equity capital	75.1	81.3	87.4	87.5	100.9	15.3
Total assets	1,506.8	1,597.0	1,685.9	1,812.6	1,851.5	2.1
Contingent liabilities	82.1	82.7	86.7	92.7	103.6	11.7
Return on equity, % ¹	14.4	19.1	14.6	11.5	11.4	
Return on total assets, % ²	0.8	1.0	0.8	0.6	0.6	
Equity/assets ratio, % ³	5.0	5.1	5.2	4.8	5.5	
Income/expense ratio before loan losses ⁴	1.59	1.77	1.56	1.45	1.44	
Income/expense ratio after loan losses ⁵	1.52	1.74	1.55	1.42	1.44	
Risk-based capital ratio, %	11.3	12.6	12.5	11.0	11.4	

$$1 \frac{\text{Net operating profit minus standard tax}}{\text{Average equity capital}} \times 100$$

$$2 \frac{\text{Net operating profit minus standard tax}}{\text{Average total assets}} \times 100$$

$$3 \frac{\text{Equity capital}}{\text{Total assets}} \times 100$$

$$4 \frac{\text{Net income from financial operations plus other operating income}}{\text{Expenses excluding loan losses}}$$

$$5 \frac{\text{Net income from financial operations plus other income}}{\text{Expenses including loan losses}}$$

DEPOSITS

During 2003, the Bank's total deposits, including bonds and certificates of deposit issued to the public and public sector entities, declined by EUR 12 M or 0.9 per cent and amounted to EUR 1,398 M.

Deposit accounts rose by EUR 39 M or 3.6 per cent and totalled EUR 1,134 M.

Total bonds outstanding decreased by EUR 11 M or 6.9 per

cent. During the year, seven share index loans were issued and were subscribed at a nominal value of EUR 54 M. During the year, share index loans with a nominal amount of EUR 67 M fell due and were repaid.

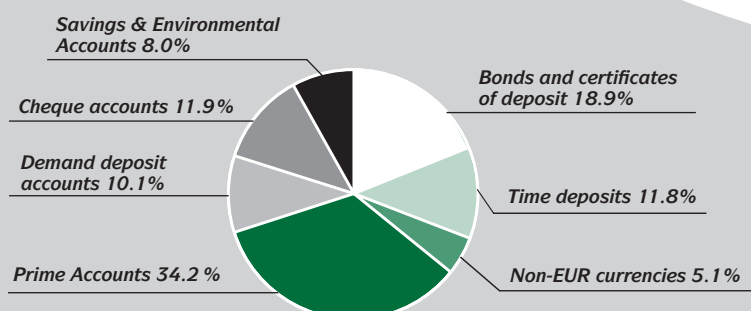
Certificates of deposit targeted to the public and the public sector decreased during the year by 25.3 per cent or EUR 40 M to EUR 119 M.

Deposits from the public and public sector entities, including bonds issued and certificates of deposit

(EUR M)	DEC 31, 2003	DEC 31, 2002	% CHANGE
DEPOSITS FROM THE PUBLIC AND PUBLIC SECTOR ENTITIES			
Demand deposit accounts	141.1	126.7	11.4
Cheque accounts	165.9	153.6	8.0
Savings and Environmental Accounts	112.3	113.9	-1.5
Prime Accounts	477.8	478.5	-0.2
Time deposits	165.3	158.7	4.2
Total deposit accounts in EUR	1,062.4	1,031.5	3.0
Deposit accounts in other currencies	71.8	63.5	13.0
TOTAL DEPOSIT ACCOUNTS	1,134.2	1,095.0	3.6
Bonds	144.8	155.5	-6.9
Certificates of deposit from the public	119.4	159.9	-25.3
BONDS AND CERTIFICATES OF DEPOSIT	264.2	315.4	-16.2
TOTAL DEPOSITS	1,398.3	1,410.4	-0.9



Every year, as a bonus, the Bank of Åland donates an amount equivalent to 0.2 per cent of deposits in Environmental Accounts to regional nature conservation and environmental projects. The number of Environmental Account savers is steadily rising by about two thousand people per year and is more than ten thousand today. Thanks to all these Environmental Account savers, during 2003 a total of EUR 59,000 went to environmental or nature conservation projects. The full amount donated since the launch of the accounts totals EUR 283,000.



◀ Total deposits, Dec 31, 2003

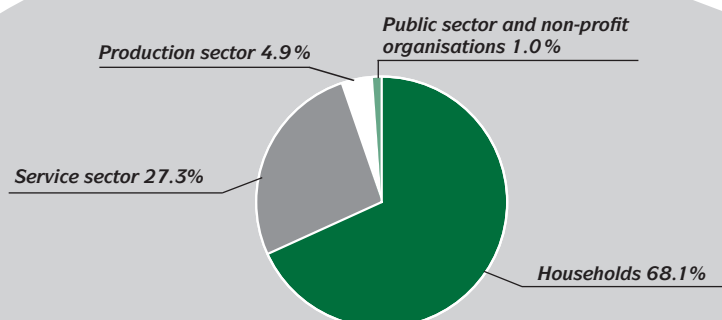
LENDING

The Bank's total lending volume rose by EUR 126 M or 10.0 per cent, amounting to EUR 1,385 M on December 31, 2003. As in prior years, the increase was mainly attributable to residential financing for private households and financing for businesses in the service sector.

Private households accounted for 68.1 per cent of the Bank's total loans outstanding, while business and professional activities accounted for 31.0 per cent. The corresponding figures in 2002 were 66.7 per cent and 32.3 per cent, respectively.

Lending to the public and public sector entities			
(EUR M)	DEC 31, 2003	DEC 31, 2002	% CHANGE
Overdraft facilities utilised	56.1	58.2	-3.6
Loans	1,310.0	1,169.1	12.1
Loans disbursed from Åland government funds	5.7	6.6	-14.0
Lending in foreign currencies	13.5	25.7	-47.4
TOTAL LENDING	1,385.3	1,259.6	10.0

Lending to the public and public sector entities, by sector			
(EUR M)	DEC 31, 2003	DEC 31, 2002	% CHANGE
BUSINESS AND PROFESSIONAL ACTIVITIES			
<i>Service sector</i>			
Shipping	51.1	61.8	
Communications	11.9	13.4	
Hotels, restaurants, tourist cottages etc.	11.5	11.3	
Wholesale and retail trade	40.8	38.2	
Housing corporations	39.4	36.6	
Real estate activities	70.9	67.6	
Financial activities	113.2	91.3	
Other service business	39.8	32.0	
	378.6	352.1	7.5
<i>Production sector</i>			
Agriculture, forestry and fishing	20.2	23.9	
Food processing etc.	13.1	10.9	
Construction	9.9	8.7	
Other industry and crafts	7.3	11.4	
	50.5	54.8	-7.9
HOUSEHOLDS			
Home loans	772.4	685.7	
Studies	12.9	12.5	
Other purposes	157.7	141.7	
	943.0	839.8	12.3
PUBLIC SECTOR AND NON-PROFIT ORGANISATIONS			
	13.2	12.8	3.2
TOTAL LENDING	1,385.3	1,259.6	10.0



◀ **Lending to the public, by sector, Dec 31, 2003**

RISK STRUCTURE AND RISK MANAGEMENT

The Bank's ambition is to pursue its operations with small risks. Its focus on the household market and on small and medium-sized companies, as well as the Bank's comparatively modest trading portfolios, are an expression of this ambition.

The Board of Directors has overall responsibility for establishing systems and regulations for limiting and monitoring the Bank's risk exposure. During 2003, the Board of Directors adopted a new risk policy document for the Bank. To administer and oversee the Bank's risks, the Risk Control Department was established.

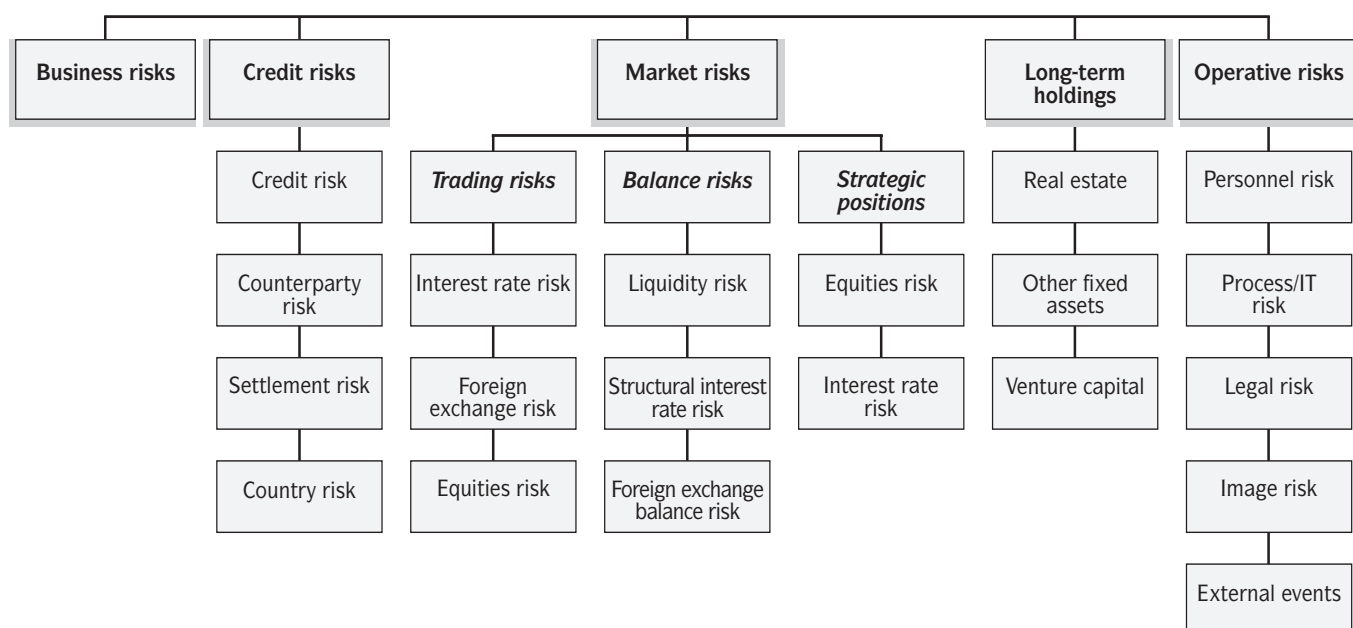
The task of the Risk Control Department is to administer the Bank's risk control and ensure that the Board of Directors, the Managing Director and the Heads of Division receive information about the Bank's risks and that rules and limits are respected.

Risk management includes all activities related to the structure of operations aimed at identifying, measuring, reporting and controlling risks. The cornerstone of risk management is the Bank's internal instructions, limit systems and processes aimed at ensuring that operations are pursued in a safe, efficient manner. Each unit has primary responsibility for identifying and controlling risks associated with its own operations.

Risk structure

The risks in the Bank of Åland's operations are divided into five main categories: business risks, credit risks, market risks, long-term holdings and operational risks.

RISK STRUCTURE



Business risk

Business risk is a function of the Bank's focus and structure and of the environment/market the Bank operates in.

Credit risk

Credit risk is the risk of losses as a consequence of the inability of a borrower or counterparty to fulfil its obligations towards the Bank.

Credit risk applies to receivables from private individuals, companies, banks and public sector institutions. Credit risk also includes the counterparty risk that arises when the Bank deposits funds with other institutions. Settlement risk and country risk belong to the same category of risks.

Credit management assumes that lending decisions will be based on sufficient knowledge about the customer. The creditworthiness

of private individuals is judged on the basis of the disposable income of the borrower and the collateral offered. A majority of the Bank's loans to private individuals are granted to customers residing in one of the five regions where the Bank operates, with homes as collateral. In the case of corporate loans, all customers have a contact person at the Bank. This person is familiar with the customer's operations and the loan collateral and risks. The Bank has an internal credit evaluation system, which the Bank employs for regular monitoring of corporate customers' financial position and the Bank's credit risk.

The loan portfolio includes very modest receivables from customers domiciled abroad, and no commitments are located in crisis-affected parts of the world.

The Treasury unit invests the Bank's surplus liquidity as deposits in other banks. For this type of risks, the Board of Directors establishes counterparty limits. Monitoring of these limits occurs continuously.

Credit risk management is based on formal credit and limit decisions. The customer relationship manager has a personal decision limit, within which he/she takes responsibility for the decision. If a larger decision-making capacity is needed, the case is referred to another person with a larger limit or alternatively to the Bank's credit team. Credit matters involving more than EUR 1,700,000 are dealt with by the Executive Team or its credit committee.

Large loans are pre-screened by credit control officers. Follow-up inspections of credit documentation occur on a test basis. Nonperforming loan commitments are reported monthly to the Executive Team. Large customer commitments are reported both internally and to the Financial Supervision Authority.

Market risk

Market risk is the risk of losses in the Bank's operations due to changes in interest rates as well as currency exchange rates and the prices of equities (company shares).

Market risk is divided into three categories:

A. Trading risk

Trading risks are connected to interest-bearing securities, foreign exchange positions and equities/securities that are held for speculative purposes and that are evaluated daily.

Interest rate risk

For trading in long-term bonds and interest rate futures, there is a nominal limit and a loss limit at which the position is to be unwound (stop-loss limit).

Foreign exchange risk

In foreign exchange dealing, there is a limit on the total volume of the foreign exchange position, and there are limits on individual currencies as well as a stop-loss limit. Open positions both during the day and overnight are subject to limits.

Equities risk

The brokerage portfolio has a limit on overall volume, limits for individual securities and a stop-loss limit for individual securities. The trading portfolio has an overall limit as well as limits for individual securities. Only purchased options may be used to cover positions in equities portfolios.

B. Balance risks

Balance risks refer to risks that are connected to the Bank's liquidity and to the interest rate refixing structure of the balance, i.e. the sensitivity of the balance to changes in the fixed-income market. The former risk is called liquidity risk and the latter is called structural interest rate risk. Also part of this category is foreign exchange balance risk, i.e. the sensitivity of the balance to changes in currency exchange rates.

Liquidity risk

Liquidity risk is measured with the help of maturity analyses and liquidity budgets. Maturity analyses show how the Bank's deposit and lending positions are allocated by maturity (due dates). Liquidity budgets show the Bank's preparedness for payments in case of any market disruptions.

Structural interest rate risk

At the Bank of Åland, structural interest rate risk is measured with the help of gap analysis. Today, gap analysis places only EURIBOR-indexed assets and liabilities in time gaps according to interest rate refixing dates. With the help of these gaps, the Bank calculates the sensitivity of its net interest items to changes during a 12-month period.

For the structural interest rate risk (0–12 months), there is a limit established by the Board of Directors stating the maximum permitted change in net interest items in case of a 1 percentage point shift in the yield curve.

Foreign exchange balance risk

Foreign exchange positions in the balance are subject to limits established by the Board of Directors.

Derivative contracts

Derivative contracts are used to protect positions. Interest rate swaps and interest rate forward contracts are used for the purpose of decreasing/eliminating interest rate risk in underlying balance sheet items, for example share index loans and fixed-interest products.

C. Strategic positions

Strategic positions contain positions taken by the Board of Directors in shares of interesting companies, in mutual funds and in interest-bearing instruments.

The Investment Banking Division manages these positions according to instructions from the Board of Directors.

Long-term holdings

This category of risks includes such long-term holdings as the Bank's real estate portfolio and other fixed assets, as well as venture capital investments.

The Bank's real estate holdings are small. Most of the properties are used in its own operations. The risks attributable to the decline in market value of these holdings or deterioration in return on assets are thus small. The Board of Directors decides on purchases and divestments.

Venture capital investments are limited. The Board of Directors decides on the holdings in this portfolio.

Operational risks

Operational risks are defined as the risk of losses and of damage to the Bank's reputation due to faulty or erroneous procedures, processes, behaviour or unexpected events in the Bank's surroundings.

It is the task of every department/unit to manage the operational

risks that are associated with their own work. The Bank's Internal Auditing Department follows up operations in the various units and provides qualitative assessments in report form to the Executive Team. The Internal Auditing Department also reports regularly on expenses that have arisen due to poor procedures, misunderstandings, crime etc.

CAPITAL ADEQUACY

Today's regulation presuppose that the Bank's capital adequacy – its capital base as a percentage of risk-weighted assets – amounts to at least 8 per cent. However, the market demands that a bank of the Bank of Åland's format should have a risk-weighted total capital ratio of 10 per cent. The Bank's objective is that its risk-weighted total capital ratio shall be 10 per cent or larger.

Monitoring of capital adequacy

The Accounting Department calculates the Bank's risk-weighted total capital ratio and reports it regularly to the Executive Team and the Board of Directors. The Department also provides forecasts of changes in the ratio.

Allocation of the capital base

On December 31, 2003, the allocation of the capital base by different types of risks (provided that the entire capital base is allocated proportionally) was

– credit risks	92.7%
– counterparty risks.....	2.8%
– market risks	1.8%
– other	2.7%
<hr/>	
Total.....	100.0 %

New capital adequacy rules

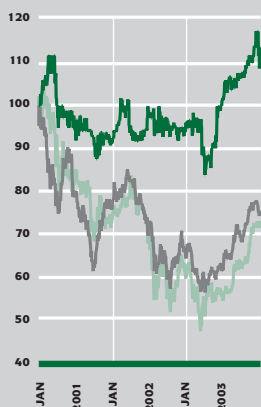
The Basel Committee on Banking Supervision has presented proposals for new capital adequacy rules. Concurrently with this proposal, the European Commission is working out a directive concerning capital adequacy rules. The proposals are intended to enter into force on December 31, 2006. The purpose of the proposals is to ensure that capital adequacy requirements will reflect actual risk in operations better than today's rules.

Preparations are under way for the introduction of the new rules. This work is being coordinated by the Risk Control Department.

FACTS ON BANK OF ÅLAND SHARES

Stock market indexes,
2001–2003
(January 2001 = 100)

● Bank of Åland, Series B
● HEX Portfolio Index
● HEX Bank and Finance



Share capital

The share capital of the Bank of Åland is EUR 22,086,413.60. The maximum share capital according to the Articles of Association is EUR 32,292,081.88. The book value equivalent of a share is EUR 2.02.

The shares are divided into 5,180,910 Series A and 5,762,411 Series B shares. Each Series A share represents twenty (20) votes at shareholders' meetings and each Series B share one (1) vote. Series B shares enjoy priority over Series A shares for dividends of up to six (6) per cent of their previous nominal value.

Changes in share capital, reported in EUR

	Share capital, EUR	Series A shares	Series B shares
1999	19,691,909.32	5,180,910	4,575,988
2000	19,698,854.14	5,180,910	4,579,429
2001	20,254,392.98	5,180,910	4,854,686
2002	20,318,016.45	5,180,910	4,886,210
2003	22,086,413.60	5,180,910	5,762,411

Convertible capital loan

During the spring of 1997, the Bank of Åland issued a convertible capital loan of FIM 100 M to the public. The capital loan pays annual interest of six (6) per cent and falls due for payment in its entirety on April 2, 2007.

	Conversions recorded in Finnish		
	Issued	Trade Registry	Remaining
Loan amount in EUR:	16,818,792.65	6,998,299.62	9,820,493.03
Number of loan certificates:	10,000	4,161	5,839
Equivalent number of Series B shares	1,095,546	447,417	648,129

By January 31, 2004, an additional 24 loan certificates, equivalent to EUR 40,365.10 or 2,664 Series B shares, had been converted. The remaining principal amount of the capital loan is EUR 9,780,127.93.

Conversion terms

The conversion price per share is EUR 15.13929. Each loan certificate with a nominal value of EUR 1,681.88 may thus be converted into 111 Series B shares. The resulting difference of EUR 1.42 is being repaid in cash.

The right of conversion for the loan began on April 2, 1998 and ends when the loan reaches maturity. Conversion may take place each year during the period April 2 – January 31. By converting the loan certificates remaining on December 31, 2003, the number of Series B shares in the Bank may rise by 648,129, equivalent to an increase of EUR 1,308,089.67 in share capital.

Warrants

By means of a share subscription using warrants during 2003, the Bank's equity capital increased by EUR 12,952,753.10. The increase consisted of a rise in share capital of EUR 1,763,692.60 plus a rise in the share premium reserve of EUR 11,189,060.50. In addition, at year-end the registration of 14,380 Series B shares subscribed late in 2003 still remained, which was equivalent to a share capital increase of EUR 29,022.51.

The subscription period for the warrants issued during 1998 expired on December 31, 2003. The opportunity for share subscriptions using warrants thus ended.

Trading in the Bank's shares

During 2003, the volume of trading in the Bank's Series A shares on the Helsinki Stock Exchange was EUR 5.0 M. Their average price was EUR 18.37. The highest quotation per share was EUR 21.00, the lowest EUR 15.50. Trading in Series B shares totalled EUR 8.8 M at an average price of EUR 17.33. The highest quotation was EUR 20.00, the lowest EUR 14.20.

On December 31, 2003, the number of registered shareholders was 9,044. There were also 124,459 shares registered in the names of nominees.

The ten largest shareholders, December 31, 2003

	SHAREHOLDER	SERIES A SHARES	SERIES B SHARES	TOTAL NUMBER OF SHARES	% OF SHARES	% OF VOTES
1	Alandia-Bolagen (insurance group)	733,886	325,145	1,059,031	9.7	13.7
	Redarnas Ömsesidiga Försäkringsbolag (marine insurance)	408,282	177,735	586,017	5.3	7.6
	Försäkrings Ab Pensions Alandia (retirement insurance)	129,960	83,040	213,000	2.0	2.5
	Försäkringsaktiebolaget Alandia (property insurance)	127,548	4,132	131,680	1.2	2.3
	Försäkringsaktiebolaget Liv-Alandia (life insurance)	68,096	60,238	128,334	1.2	1.3
2	Aktia Sparbank Abp (savings bank)	105,000	877,100	982,100	9.0	2.7
3	Ålands Ömsesidiga Försäkringsbolag (insurance company)	612,331	111,960	724,291	6.6	11.3
4	Wiklöf Anders	455,506	89,504	545,010	5.0	8.4
	Wiklöf Anders	231,506	89,504	321,010	2.9	4.3
	Wiklöf Holding Ab	120,000	0	120,000	1.1	2.1
	Skärgårdshavets Helikoptertjänst (helicopter service)	52,000	0	52,000	0.5	1.0
	Oy Alva-Line Ab (shipping company)	52,000	0	52,000	0.5	1.0
5	Mattsson Rafael	422,406	15,638	438,044	4.0	7.7
	Mattsson Rafael	241,494	15,096	256,590	2.3	4.4
	Ab Rafael	180,912	542	181,454	1.7	3.3
6	Veritas bolagen (insurance group)	277,734	153,900	431,634	3.9	5.2
	Pensionsförsäkringsaktiebolaget Veritas (retirement insurance)	198,934	84,700	283,634	2.6	3.7
	Livförsäkringsaktiebolaget Veritas (life insurance)	78,800	69,200	148,000	1.3	1.5
7	Caelum Oy (investment company)	65,340	162,178	227,518	2.1	1.3
8	ÅAB's Pensionsstiftelse (the Bank's pension fund)	190,295	80	190,375	1.7	3.5
9	Svenska Litteratursällskapet i Finland (literary society)	150,000	0	150,000	1.4	2.7
10	Palkkiyhtymä Oy (investment company)	60,000	76,000	136,000	1.2	1.2
	Palkkiyhtymä Oy	60,000	40,000	100,000	0.9	1.2
	Palcmills Oy	0	36,000	36,000	0.3	0.0

Shareholders by size of holding

NUMBER OF SHARES	NUMBER OF SHAREHOLDERS	TOTAL NUMBER OF SHARES HELD	AVERAGE HOLDING
1–100	3,826	177,400	46
101–1,000	4,086	1,416,226	347
1,001–10,000	1,047	2,548,871	2,434
10,001–	85	6,676,365	78,545
Shares registered in name of nominee		124,459	

Shareholders by category

CATEGORY	NUMBER OF SHARES	% OF SHARES
Private individuals	4,848,746	44.3
Corporations	1,518,197	13.9
Insurance companies	2,214,956	20.2
Banks	1,002,976	9.2
Other financial institutions	1,300	0.0
Government organisations	424,532	3.9
Non-profit organisations	492,653	4.5
Foreign investors	315,502	2.9
Shares registered in name of nominee	124,459	1.1

Shareholdings in Bank of Åland by members of the Board of Directors and the Supervisory Board

	SERIES A SHARES	SERIES B SHARES	% OF SHARES	% OF VOTES
Board of Directors	1,968	1,386	0.0	0.0
Supervisory Board	34,104	3,385	0.3	0.6

Bank of Åland shares traded, Helsinki Stock Exchange

YEAR		THOUSANDS OF SHARES	VOLUME AS % OF SHARES	PRICE PAID, EUR: HIGHEST / LOWEST	AVERAGE PRICE, EUR
1999	Series A	422	8.3	18.95 – 15.14	15.44
1999	Series B	622	13.9	17.20 – 15.05	15.86
2000	Series A	319	6.2	18.00 – 15.30	16.88
2000	Series B	556	12.1	18.00 – 15.00	16.10
2001	Series A	80	1.5	20.00 – 15.00	16.87
2001	Series B	297	6.3	19.10 – 14.86	16.67
2002	Series A	665	12.8	17.50 – 16.02	16.40
2002	Series B	501	10.2	17.40 – 15.50	16.21
2003	Series A	271	5.2	21.00 – 15.50	18.37
2003	Series B	505	8.8	20.00 – 14.20	17.33

Bank of Åland (Group) share data

	1999	2000	2001	2002	2003	% CHANGE 2002–2003
Number of shares, M	9.76	9.76	10.04	10.07	10.94	
Average number of shares, M, adjusted for issues	9.54	9.76	10.04	10.07	10.56	
Number of shares at year-end, M, adjusted for issues	9.76	9.76	10.04	10.07	10.94	
Earnings per share, EUR ¹	1.02	1.50	1.23	1.00	1.02 ⁹⁾	1.7
Dividend per share, EUR ²						
Series A	0.88	1.01	1.00	1.00	1.00	
Series B	0.88	1.01	1.00	1.00	1.00	
Dividend per share, EUR, adjusted for issues						
Series A	0.88	1.01	1.00	1.00	1.00	0.0
Series B	0.88	1.01	1.00	1.00	1.00	0.0
Dividend payout ratio ³	63.8	48.3	57.8	71.6	72.2	
Equity capital and reserves per share, EUR ⁴	7.69	8.33	8.71	8.69	9.22 ⁹⁾	6.1
Market price per share, EUR ⁵						
Series A	15.60	18.00	15.90	17.10	18.65	
Series B	15.80	17.00	15.69	16.30	19.10	
Market price, adjusted for issues, EUR ⁵						
Series A	15.60	18.00	15.90	17.10	18.65	9.1
Series B	15.80	17.00	15.69	16.30	19.10	17.2
Price/earnings ratio, Series A ⁶	15.3	12.0	13.0	17.1	18.3	
Price/earnings ratio, Series B ⁶	15.5	11.3	12.8	16.3	18.7	
Effective dividend yield, % ⁷						
Series A	5.7	5.6	6.3	5.8	5.4	
Series B	5.6	5.9	6.4	6.1	5.2	
Yield incl. tax compensation according to avoir fiscal, % ⁸						
Series A	7.9	7.9	8.9	8.2	7.6	
Series B	7.8	8.4	9.0	8.6	7.4	
Market capitalisation, EUR M ⁵	153.1	171.1	158.5	168.2	206.7	22.9

1 $\frac{\text{Net operating income} - \text{standard tax}}{\text{Average number of shares, adjusted for new issues}}$

2 The Board of Directors' proposal to the Annual General Meeting.

3 $\frac{\text{Dividend for the year}}{\text{Net operating profit}} \times 100$

4 $\frac{\text{Equity capital} + \text{reserves} - \text{imputed taxes due}}{\text{Number of shares at year-end, adjusted for new issues}}$

5 At year-end.

6 $\frac{\text{Year-end share price, adjusted for new issues}}{\text{Earnings per share}}$

7 $\frac{\text{Dividend, adjusted for new issues}}{\text{Year-end share price, adjusted for new issues}}$

8 $\frac{\text{Dividend, adjusted for new issues} + \text{tax compensation}}{\text{Year-end share price, adjusted for new issues}}$

9 If all warrants and subscription rights to which the convertible capital loan is entitled are exercised, earnings per share are EUR 0.97 and the ratio "equity capital and reserves per share" is higher than the figure presented in the table.

ÅLANDSBANKEN FONDBOLAG AB

Ålandsbanken Fondbolag Ab is a wholly-owned subsidiary of the Bank of Åland Plc (Ålandsbanken Abp). The mutual funds (unit trusts) that the company manages are registered in Finland and comply with the Act on Mutual Funds. The investment strategies of the funds are adapted to the needs of Bank of Åland customers. At the close of the financial year, Ålandsbankens Fondbolag managed the following mutual funds.

Placeringsfonden Ålandsbanken Corporate Bond, a bond fund that invests in euro-denominated corporate bonds.

Placeringsfonden Ålandsbanken Euro Bond, a medium-term bond fund with euro-denominated investments.

Placeringsfonden Ålandsbanken Europe Active Portfolio, a flexible European balanced fund, with active allocation between bond and equity investments.

Placeringsfonden Ålandsbanken Europe Value, a European equities fund with a value-oriented investment strategy.

Placeringsfonden Ålandsbanken Global Value, an international equities fund with a value-oriented investment strategy.

Mutual fund investment operations

The mutual funds managed by the company are handled by UBS Global Asset Management Ltd and Ålandsbanken Asset Management Ab under agreements with these companies. UBS Global Asset Management Ltd is responsible for the funds' investments in equities and functions as the portfolio manager of the Ålands-

banken Europe Value and Ålandsbanken Global Value funds as well as of the equities portion of the Ålandsbanken Europe Active Portfolio. Ålandsbanken Asset Management is responsible for the funds' fixed-income investments and functions as the portfolio manager of the Ålandsbanken Euro Bond and Ålandsbanken Corporate Bond funds, as well as the fixed-income investment portion of the Ålandsbanken Europe Active Portfolio.

Growth of the funds

As of December 31, 2003, the number of unit holders totalled 5,337 (Dec 31, 2002: 4,710), which represented an increase of 13 per cent from one year earlier. Total assets under management amounted to EUR 117.4 M (87.1), an increase of 35 per cent from one year earlier. Further information is provided in the table below.

Marketing and sales of the funds

All of these mutual funds are marketed and sold by the Bank of Åland. Investments in the funds may also be made via unit-link insurance plans provided by the Veritas and Liv Alandia insurance companies as well as Skandia Life.

New mutual fund in 2004 – Ålandsbanken Nordic Value

On January 19, 2004, a new mutual fund – Ålandsbanken Nordic Value – went into operation. Ålandsbanken Nordic Value is a Nordic equities fund whose investment are actively managed according to a value-oriented investment strategy. Ålandsbanken Asset Management Ab functions as the portfolio manager of the fund.

PLACERINGSFONDEN ÅLANDSBANKEN	EURO BOND	EUROPE ACTIVE PORTFOLIO	EUROPE VALUE	GLOBAL VALUE	CORPORATE BOND	TOTAL
NUMBER OF UNIT HOLDERS						
December 31, 2002	430	1,779	487	1,961	53	4,710
December 31, 2003	926	1,745	570	2,042	54	5,337
Change, %	115.3	-1.9	17.0	4.1	1.9	13.3
SIZE OF MUTUAL FUND, EUR						
December 31, 2002	25,045,349	12,232,351	17,200,886	8,256,193	24,351,331	87,086,110
December 31, 2003	44,924,322	13,273,794	18,488,182	11,535,640	29,163,081	117,385,020
Change, % ¹	79.4	8.5	7.5	39.7	19.8	34.8
CHANGE IN VALUE, 2003, %²	3.85	8.92	11.60	7.48	4.21	

¹ The change in the size of the funds is affected by net divestments as well as by changes in the value of the fund's investments

² B units (growth units)

ÅLANDSBANKEN ASSET MANAGEMENT AB

Ålandsbanken Asset Management Ab is a subsidiary of the Bank of Åland Plc (Ålandsbanken Abp). The company offers a comprehensive range of assets management services. The company has the expertise to manage its customers' finances in their entirety, i.e. together with the Bank, create comprehensive solutions consisting of portfolio management, insurance alternatives, financing arrangements and banking services. Aside from direct equity and bond investments, portfolio management uses share index loans as well as mutual funds (unit trusts).

During 2003, for the first time in three years there was a long-

term, heavy emphasis on equities. The portfolio volume that the company handles continued to grow during the year, due to new management mandates and portfolio growth. Ålandsbanken Asset Management Ab is now also beginning to attract interest among institutional investors.

Folke Husell was replaced as Chairman of the Board by Bengt Lundberg on December 18. Otherwise, the Board consisted of Jan Tallqvist and Stefan Törnqvist. During the year, the company hired two new employees and it is continuing to recruit specialists during 2004 as well.

CONSOLIDATED INCOME STATEMENT

(EUR K)

	JAN 1 – DEC 31, 2003			JAN 1 – DEC 31, 2002		
Interest income			59,971			70,859
Interest expenses			<u>-30,379</u>			<u>-39,341</u>
NET INCOME FROM FINANCIAL OPERATIONS			29,593			31,518
Income from equity investments			1,223			781
Commission income			10,306			10,483
Commission expenses			-1,271			-1,198
Net income from securities transactions and foreign exchange dealing						
<i>Net income from securities transactions</i>			1,904			393
<i>Net income from foreign exchange dealing</i>			<u>779</u>			<u>802</u>
Other operating income			5,568			3,908
Administrative expenses						
<i>Staff costs</i>						
<i>Wages and salaries</i>	15,168			13,427		
<i>Pensions</i>	2,395			1,843		
<i>Other social security costs</i>	<u>1,297</u>	18,860		<u>1,097</u>	16,366	
<i>Other administrative expenses</i>		<u>8,163</u>	-27,023		<u>8,913</u>	-25,279
Depreciation/amortisation and write-downs of tangible and intangible assets			-2,300			-2,853
Other operating expenses			-3,855			-3,891
Loan and guarantee losses			133			-772
Write-downs and reversals of write-downs on securities held as financial fixed assets			0			27
Share of operating results of companies consolidated according to the equity method			<u>95</u>			<u>286</u>
NET OPERATING PROFIT			15,152			14,205
PROFIT BEFORE APPROPRIATIONS AND TAXES			15,152			14,205
Income taxes						
<i>Taxes for the year and previous years</i>		4,424			4,410	
<i>Change in imputed tax due</i>		<u>0</u>	-4,424		<u>-197</u>	-4,213
Minority share of profit for the year			<u>-130</u>			<u>-292</u>
PROFIT FOR THE YEAR			10,598			9,700

CONSOLIDATED BALANCE SHEET

(EUR K)

ASSETS	DEC 31, 2003		DEC 31, 2002	
Liquid assets		39,962		89,234
Debt securities eligible for refinancing with central banks				
<i>Treasury bills</i>	208,896		105,289	
<i>Other</i>	<u>54,489</u>	263,384	<u>70,893</u>	176,182
Claims on credit institutions				
<i>Repayable on demand</i>	1,888		2,303	
<i>Other</i>	<u>75,088</u>	76,976	<u>200,077</u>	202,380
Claims on the public and public sector entities		1,405,301		1,259,593
Lease assets		791		939
Debt securities eligible for refinancing with central banks		7,508		26,174
Shares and participations		14,718		16,233
Shares and participations in associated companies		5		5
Shares and participations in Group companies		2,009		2,115
Intangible assets		3,388		3,927
Tangible assets				
<i>Real estate as well as shares and participations in real estate corporations</i>	12,033		12,163	
<i>Other tangible assets</i>	<u>2,411</u>	14,444	<u>2,459</u>	14,622
Other assets		15,049		10,725
Accrued income and prepayments		<u>7,942</u>		<u>10,505</u>
TOTAL ASSETS		1,851,477		1,812,635

CONSOLIDATED BALANCE SHEET

(EUR K)

LIABILITIES AND EQUITY CAPITAL	DEC 31, 2003		DEC 31, 2002	
LIABILITIES				
Liabilities to credit institutions				
<i>Repayable on demand</i>		1,627		1,548
<i>Other</i>		<u>91,479</u>	93,107	<u>109,952</u>
Liabilities to the public and public sector entities				
<i>Deposits</i>				
<i>Repayable on demand</i>	959,796		927,162	
<i>Other</i>	<u>174,217</u>	1,134,013	<u>167,677</u>	1,094,839
<i>Other liabilities</i>		<u>5,637</u>	1,139,650	<u>6,636</u>
Debt securities issued to the public				
<i>Bonds</i>		109,601		123,575
<i>Other</i>		<u>323,271</u>	432,872	<u>308,994</u>
Other liabilities			29,916	23,831
Accrued expenses and deferred income			13,729	16,365
Subordinated liabilities			24,507	22,489
Imputed taxes due			6,574	6,574
Minority share of capital			389	481
EQUITY CAPITAL				
Share capital			22,086	20,318
Share premium account			24,966	13,746
Revaluation reserve			350	350
Reserve fund			25,129	25,129
Capital loan			9,820	9,856
Profit brought forward			17,782	18,250
Profit for the year			<u>10,598</u>	<u>9,700</u>
TOTAL LIABILITIES AND EQUITY CAPITAL			1,851,477	1,812,635
OFF-BALANCE SHEET COMMITMENTS				
Commitments given to a third party on behalf of customers				
<i>Guarantees and pledges</i>		<u>9,767</u>	9,767	<u>9,650</u>
Irrevocable commitments given on behalf of customers			<u>103,802</u>	<u>93,066</u>
			113,569	102,717

PARENT COMPANY INCOME STATEMENT

(EUR K)

	JAN 1 – DEC 31, 2003			JAN 1 – DEC 31, 2002		
Interest income			59,867			70,724
Net leasing income			88			96
Interest expenses			<u>-30,598</u>			<u>-39,523</u>
NET INCOME FROM FINANCIAL OPERATIONS			29,358			31,297
Income from equity investments						
<i>In Group companies</i>		1,115			278	
<i>In associated companies</i>		308			160	
<i>In other companies</i>		<u>1,106</u>	2,530		<u>588</u>	1,026
Commission income			8,517			8,193
Commission expenses			-1,053			-1,044
Net income from securities transactions and foreign exchange dealing						
<i>Net income from securities transactions</i>		1,870			326	
<i>Net income from foreign exchange dealing</i>		<u>779</u>	2,649		<u>802</u>	1,128
Other operating income			5,587			3,928
Administrative expenses						
<i>Staff costs</i>						
<i>Wages and salaries</i>	14,645			12,970		
<i>Pensions</i>	2,309			1,763		
<i>Other social security costs</i>	<u>1,276</u>	18,229		<u>1,077</u>	15,811	
<i>Other administrative expenses</i>		<u>7,937</u>	-26,167		<u>8,673</u>	-24,483
Depreciation and write-downs on tangible and intangible assets			-2,280			-2,830
Other operating expenses			-3,778			-3,787
Loan and guarantee losses			121			-530
Write-downs and reversals of write-downs on securities held as financial fixed assets			<u>0</u>			<u>427</u>
NET OPERATING PROFIT			15,483			13,325
PROFIT BEFORE APPROPRIATIONS AND TAXES			15,483			13,325
Appropriations			0			680
Income taxes			<u>-4,488</u>			<u>-4,048</u>
PROFIT FOR THE YEAR			10,995			9,957

PARENT COMPANY BALANCE SHEET

(EUR K)

ASSETS	DEC 31, 2003		DEC 31, 2002	
Liquid assets		39,962		89,234
Debt securities eligible for refinancing with central banks		263,081		175,863
Claims on credit institutions				
<i>Repayable on demand</i>		1,888		2,303
<i>Other</i>	<u>75,088</u>	76,976	<u>200,077</u>	202,380
Claims on the public and public sector entities		1,405,301		1,259,593
Lease assets		791		939
Debt securities		6,924		25,665
Shares and participations		14,148		15,662
Shares and participations in associated companies		5		5
Shares and participations in Group companies		2,754		2,754
Intangible assets		3,345		3,919
Tangible assets				
<i>Real estate as well as shares and participations in real estate corporations</i>		12,033		12,163
<i>Other tangible assets</i>	<u>2,381</u>	14,414	<u>2,420</u>	14,583
Other assets		14,824		10,563
Accrued income and prepayments		<u>7,981</u>		<u>10,464</u>
TOTAL ASSETS		1,850,506		1,811,625

PARENT COMPANY BALANCE SHEET

(EUR K)

LIABILITIES AND EQUITY CAPITAL	DEC 31, 2003		DEC 31, 2002	
LIABILITIES				
Liabilities to credit institutions				
<i>Repayable on demand</i>		1,627		1,548
<i>Other</i>		<u>91,479</u>	93,107	<u>109,952</u>
Liabilities to the public and public sector entities				
<i>Deposits</i>				
<i>Repayable on demand</i>	959,958		927,310	
<i>Other</i>	<u>174,217</u>	1,134,175	<u>167,677</u>	1,094,987
<i>Other liabilities</i>		<u>5,637</u>	1,139,811	<u>6,636</u>
Debt securities issued to the public				
<i>Bonds</i>		110,431		123,187
<i>Other</i>		<u>322,879</u>	433,311	<u>310,714</u>
Other liabilities			29,986	23,783
Accrued expenses and deferred income			13,608	15,931
Subordinated liabilities			24,507	22,489
ACCUMULATED APPROPRIATIONS				
Difference between recorded and planned depreciation			220	220
Reserves			22,450	22,450
EQUITY CAPITAL				
Share capital			22,086	20,318
Share premium account			24,966	13,746
Revaluation reserve			350	350
Reserve fund			25,129	25,129
Capital loan			9,820	9,856
Profit brought forward			159	370
Profit for the year			<u>10,995</u>	<u>9,957</u>
TOTAL LIABILITIES AND EQUITY CAPITAL			1,850,506	1,811,625
OFF-BALANCE SHEET COMMITMENTS				
Commitments given to a third party on behalf of customers				
<i>Guarantees and pledges</i>		<u>9,767</u>	9,767	<u>9,650</u>
Irrevocable commitments on behalf of customers			<u>103,802</u>	<u>93,066</u>
			113,569	102,717

ACCOUNTING PRINCIPLES

General

The accounts of the Bank of Åland Plc (Ålandsbanken Abp) and the Bank of Åland Group have been drawn up in accordance with the current provisions of the Finnish Credit Institutions Act and the Ministry of Finance ordinance on annual accounts and consolidated annual accounts of credit institutions and securities companies, and in compliance with the regulations of the Financial Supervision Authority. Figures in the financial statements are based on the original values of business transactions unless otherwise mentioned. Income and expenses booked in the income statements are accrued in accordance with the performance principle. Comparative figures for previous accounting periods have been recalculated according to current rules.

Consolidated financial statements

The consolidated financial statements include figures on the Bank of Åland Plc, Ålandsbanken Fondbolag Ab, Ålandsbanken Asset Management Ab, Klintens Trä Ab and Ålands Företagsbyrå Ab. In accordance with the regulations of the Financial Supervision Authority, subsidiaries and associated companies whose balance sheet total is less than one per cent of the Bank's balance sheet total, and whose impact on the Group's financial position and equity capital is negligible, have been excluded from the consolidated financial statements.

Klintens Trä and Ålands Företagsbyrå Ab have been consolidated according to the equity method of accounting. This means that in the consolidated accounts, the value of the parent Bank's share in these companies reflects any changes in their equity capital. The consolidated income statement reports the Bank's share in these companies' earnings. The accounts of Ålandsbanken Fondbolag Ab and Ålandsbanken Asset Management Ab have been consolidated according to the purchase method of accounting.

By way of exception to the income statements of Group companies, the item "Net leasing income" only consists of the difference between leasing rents and planned depreciation on lease assets. Additional depreciation on lease assets and capital gains/losses on the sale of lease assets are entered in the consolidated income statement under the item "Loan and guarantee losses".

In the consolidated balance sheet, voluntary provisions made by Group companies, including the difference between planned and recorded depreciation, have been apportioned between the earnings for the financial year and equity capital and between the change in imputed taxes due and imputed taxes due.

Items denominated in foreign currencies

Assets and liabilities denominated in foreign currencies are translated to euro (EUR) at the European Central Bank's year-end middle rate.

Valuation of securities

Debt securities, shares and participations are broken down into two categories: current-asset securities and securities held as fixed financial assets. Debt securities held as fixed financial assets shall comprise: debt securities which are meant to be held until the date of maturity, shares and participations in subsidiaries and associated companies, and other shares that the Bank owns in order to obtain necessary services.

Securities classified as current-asset which are traded by the Bank are valued in the balance sheet at their probable sale price on the balance sheet date. Other current-asset securities are valued at their purchase price or their probable sale price on the balance sheet date, whichever is lower. Securities held as fixed financial assets are valued at their purchase price. If the probable sale price of such a security is permanently lower, the difference is entered as an expense.

If the amount paid for a debt security was above or below its nominal value, the difference is accrued over the maturity of the debt security as interest income or a deduction from interest income.

Other staff-related costs

Aside from normal social security contributions, the item "Other staff-related costs" in the income statement also includes the estimated cost of future social insurance fees related to the equity options that have been issued to employees.

Depreciation/amortisation

Assets subject to wear and tear are depreciated according to a plan based on the projected economic service life of the items. Buildings and structures are depreciated on a straight-line basis over 40 years. Technical equipment in buildings is depreciated over 12 years. Machinery and equipment are depreciated on a straight-line basis over 3–10 years. Land and revaluations are not depreciated. Computer systems among intangible assets are amortised on a straight-line basis over 3–5 years, while other intangible assets are amortised over 5–10 years. Depreciation on lease items is calculated by accrual of acquisition prices over the contract period according to the annuity method, using as the residual value a conservative estimate of the probable value of the equipment at the end of the contract period.

Loan and guarantee losses

Actual or probable loan losses during the year are reported in the accounts as loan losses. A loss whose amount has been established through a final bankruptcy audit or a bankruptcy receiver's estimate of the distribution of assets, a composition agreement or other agreement where the Bank abstains from a claim or it has otherwise been forgiven, is reported as an actual loss. A claim or part thereof is reported as a probable loan loss if the customer is deemed insolvent and, on the balance sheet date:

- it is not considered likely that the customer's ability to pay will improve to such a degree that payment can be made and
- the probable value of the collateral or other security provided for the claim does not cover the portion of the receivable reported as a loan loss.

When estimating the probable value of the collateral that has been posted as security for a claim, the main principle applied is its market value. In cases where this principle cannot be applied, the value reported is based on the estimated earnings of the collateral.

Previously booked loan losses that have been recovered are reported as reductions in the year's loan losses.

Write-downs and reversals of write-downs on securities held as fixed financial assets

If, on the balance sheet date, the probable sale price of securities included in the balance sheet items "Share and participations in Group companies" or of securities held as fixed financial assets included in the balance sheet items "Shares and participations" or "Debt securities" or of shares and participations in real estate corporations included in the balance sheet item "Tangible assets" is permanently lower than the book value, the difference between book value and the probable sale price is reported as an expense under this item in the income statement. If such a write-down proves unfounded, it is reversed under this item in the income statement.

Property that served as security for unpaid claims and property acquired for the reorganisation of a client's business operations is included among the above balance sheet items.

Nonperforming loans

A loan is classified as nonperforming when interest or principal has fallen due for payment and the agreed payment has not been received within 90 days. Guarantee commitments honoured by the

Bank are reported as nonperforming loans. In case of bankruptcy, a loan is booked as nonperforming the day an application for bankruptcy is submitted. When a loan is booked as nonperforming, accrued interest income is cancelled at the same time, in keeping with the performance principle.

Extraordinary items

Substantial income and expenses that are exceptional in nature and are not attributable to actual business operations are reported as extraordinary income and expenses. During 2003, no extraordinary items arose.

Sales of banking computer systems

User licences are recognised as revenue in stages that correspond to the degree of completion of the agreed systems adaptation work. Completed implementation and systems adaptation work is recognised as revenue in keeping with the performance principle.

Annual licences are recognised as revenue on a straight-line basis during the respective year.

Pension arrangements

The legally mandated pension coverage for employees has been arranged through the retirement insurance company Försäkringsaktiebolaget Pensions-Alandia. Other pension benefits are handled through the Bank's pension fund, Ålandsbanken Abp:s Pensionsstiftelse. Pension liabilities are fully covered.

Provisions

Transfers to or from reserves have been reported in the financial statements as changes in the reserves.

Derivative contracts

Income and expenses on interest rate-related derivative contracts intended for hedging purposes are included in the income statement under interest income and expenses. Income and expenses on interest-related derivative contracts not intended for hedging purposes are included under securities transactions in the income statement. Income and expenses on currency-related derivative contracts are included under foreign exchange dealing, except that the difference between the forward and spot exchange rate is included under interest income and expenses. Income and expenses on equity-related derivative contracts are included under securities transactions in the income statement.

NOTES TO THE FINANCIAL STATEMENTS

(EUR K)

The contents of these notes follow regulations 106.1 and 106.2 of the Financial Supervision Authority. Notes for which there is nothing to report have been omitted. Since the figures for the parent Bank and the Group do not differ significantly from each other, these notes provide figures only for the parent Bank, unless otherwise stated.

Numbering	
1–8	Notes to the income statement
9–32	Notes to the balance sheet
33	Note concerning income taxes
34–39	Notes concerning assets pledged, contingent liabilities and derivative contracts
40	Note concerning staff and members of administrative and supervisory bodies
41–42	Other notes
43–47	Notes concerning the consolidated financial statements

1. Interest income and interest expenses

INTEREST INCOME:	2003	2002
Credit institutions and central banks	5,531	7,404
Public and public sector entities	48,073	55,303
Debt securities	6,149	8,001
Other interest income	115	15
	<u>59,867</u>	<u>70,724</u>
INTEREST EXPENSES:	2003	2002
Credit institutions and central banks	2,587	3,178
Public and public sector entities	15,693	22,735
Debt securities issued to the public	10,826	12,010
Subordinated liabilities	895	1,026
Capital loan	587	571
Other interest expenses	9	4
	<u>30,598</u>	<u>39,523</u>

2. Net leasing income

	2003	2002
Rental income	368	412
Planned depreciation	-294	-312
Net capital gains and losses from the sale of lease assets	14	-4
	<u>88</u>	<u>96</u>

3. Net income from securities transactions

	2003	2002
Debt securities	-15	-11
Shares and participations	1,886	337
	<u>1,870</u>	<u>326</u>

4. Total amount of current-asset securities bought and sold

DEBT SECURITIES	2003	2002
Bought	87,945	43,953
Sold	34,073	27,254
SHARES	2003	2002
Bought	71,070	297,690
Sold	74,029	297,319

5. Other operating income and expenses

OTHER OPERATING INCOME	2003	2002
Rental and dividend income from real estate and real estate corporations	418	433
Other income from normal operations	5,169	3,495
	<u>5,587</u>	<u>3,928</u>
OTHER OPERATING EXPENSES		
Rental expenses	1,207	1,134
Expenses for real estate and real estate corporations	826	798
Other expenses from normal operations	1,744	1,856
	<u>3,778</u>	<u>3,787</u>

6. Loan and guarantee losses

	2003		2002	
	LOAN LOSSES GROSS	DEDUCTIONS	LOAN LOSSES GROSS	DEDUCTIONS
Claims on the public and public sector entities	159	280	957	427
Guarantees and other off-balance sheet items	0	0	0	0
	<u>159</u>	<u>280</u>	<u>957</u>	<u>427</u>
Write-downs and reversals of write-downs on securities held as fixed financial assets	0	0	0	427
Actual loan losses	412		3,846	
Actual loan losses for which specific loan loss provisions were previously made	-338		-3,067	
Reversals on actual loan losses from prior years	-114		-79	
Specific loan loss provisions	85		177	
Reversals of previous specific loan loss provisions	-166		-348	
Loan and guarantee losses in the accounts	<u>-121</u>		<u>530</u>	

7. Appropriations

	2003	2002
Decrease in difference between recorded and planned depreciation	0	-30
Reduction in loan loss reserve	0	-650
	<u>0</u>	<u>-680</u>

8. Income and staff by field of operations and market

	2003	2002
GROUP		
Banking operations	46,975	45,114
Mutual fund (unit trust) operations	1,091	914
Securities company operations	1,307	1,857

Amounts are without eliminations.
All income arose in Finland.

Staff, recalculated to average full-time equivalents during the year, by field of operations:

Banking operations	364	357
Mutual fund (unit trust) operations	3	3
Securities company operations	7	6
	<u>375</u>	<u>367</u>

9. Debt securities eligible for refinancing with central banks

	2003	2002
Treasury bills	208,896	105,289
Bonds issued by the Finnish government	52,028	33,890
Bank certificates of deposit	0	34,716
Other bonds	2,158	1,968
	<u>263,081</u>	<u>175,863</u>

10. Claims on credit institutions

The balance sheet item "Claims on credit institutions" does not include claims on central banks.

11. Claims on the public and public sector entities by sectors and specific loan loss provisions

	2003	2002
<i>Breakdown of the balance sheet item "Claims on the public and public sector entities" according to the official sectoral classification of Statistics Finland:</i>		
Enterprises	390,405	361,062
General government	25,618	4,916
Non-profit institutions	7,580	7,876
Households	947,185	845,749
Foreign	34,513	39,990
<i>Total</i>	1,405,301	1,259,593
<i>Specific loan loss provisions on January 1</i>	1,035	4,272
New provisions made during the year	85	177
Provisions reversed during the year	-166	-348
Actual loan losses during the year, for which specific loan loss provisions were previously made	-338	-3,067
<i>Specific loan loss provisions on December 31</i>	616	1,035

12. Nonperforming claims and other zero-interest receivables

	2003	2002
Nonperforming claims	1,393	1,921
Other zero-interest receivables	30	30
	1,423	1,951

13. Book value of property serving as collateral for unpaid claims and property acquired for the reorganisation of clients' business operations

	2003	2002
Real estate and shares and participations in real estate corporations	589	589
Other shares and participations	426	426
	1,015	1,015

14. Subordinated claims

	2003	2002
Claims on the public and public sector entities	367	367
Debt securities	5	21

15. Lease assets

	2003	2002
Machinery and equipment	768	939
Other lease assets	23	0
	791	939

16. Debt securities eligible for refinancing with central banks and other debt securities held

	2003		2002	
	PUBLICLY LISTED	OTHER	PUBLICLY LISTED	OTHER
Current assets	35,203	1,334	89	1,127
Other	24,573	208,896	35,858	164,455
	59,776	210,230	35,947	165,582
Difference between probable sale price and lower book value of debt securities held as current assets	56		2	
Difference between book value and lower nominal value of debt securities held as fixed assets	374		424	
Difference between nominal value and lower book value of debt securities held as fixed assets	271		846	
<i>Debt securities specified by type:</i>				
Treasury bills	208,896		105,289	
Certificates of deposit	0		34,716	
Other bond loans	61,110		42,736	
Other debt securities	0		18,787	
	270,006		201,528	

17. Shares and participations

	2003		2002	
	PUBLICLY LISTED	OTHER	PUBLICLY LISTED	OTHER
Current assets	10,572	3,447	10,536	4,997
Other	0	129	0	129
	<u>10,572</u>	<u>3,576</u>	<u>10,536</u>	<u>5,126</u>
<i>Difference between probable sale price and lower book value of publicly listed shares held as current assets</i>				
Current assets	10		10	

18. Increases and decreases in shares and participations held as fixed financial assets and in tangible assets

SHARES AND PARTICIPATIONS IN SUBSIDIARIES AND ASSOCIATED COMPANIES AND OTHER SHARES AND PARTICIPATIONS HELD AS FIXED FINANCIAL ASSETS	2003	2002
Book value on January 1	5,102	7,245
+ increases during the year	0	153
- decreases during the year	0	-2,297
+ reversals of write-downs during the year	0	400
+ accumulated write-downs on January 1 related to decreases	0	2,194
- accumulated write-downs on January 1	-2,214	-4,808
Book value on December 31	<u>2,888</u>	<u>2,888</u>
LAND, BUILDINGS AND SHARES AND PARTICIPATIONS IN REAL ESTATE CORPORATIONS		
Book value on January 1	18,090	18,005
+ increases during the year	102	86
- decreases during the year	0	0
- planned depreciation during the year	-211	-208
- write-downs during the year	-21	-21
- accumulated depreciation on January 1	-5,822	-5,614
- accumulated write-downs on January 1	-105	-84
Book value on December 31	<u>12,033</u>	<u>12,163</u>
MACHINERY, EQUIPMENT AND OTHER TANGIBLE ASSETS		
Book value on January 1	9,077	8,601
+ increases during the year	565	555
- decreases during the year	-1,221	-77
- planned depreciation during the year	-598	-753
+ accumulated depreciation on January 1 related to decreases	1,214	72
- accumulated depreciation on January 1	-6,656	-5,979
Book value on December 31	<u>2,381</u>	<u>2,420</u>

19. Real estate holdings and shares and participations in real estate corporations

	2003		2002	
	BOOK VALUE	TIED-UP CAPITAL	BOOK VALUE	TIED-UP CAPITAL
LAND, WATER AND BUILDINGS				
In own use	7,779	7,779	7,887	7,887
Other	522	522	524	524
	<u>8,301</u>	<u>8,301</u>	<u>8,411</u>	<u>8,411</u>
SHARES AND PARTICIPATIONS IN REAL ESTATE CORPORATIONS				
For housing own premises	1,113	1,132	1,113	1,139
Other	2,619	3,156	2,640	3,770
	<u>3,732</u>	<u>4,288</u>	<u>3,753</u>	<u>4,909</u>

20. Other assets

	2003	2002
Cash items in the process of collection	86	72
Guarantee claims	5	56
Derivative contracts	7,179	3,008
Other	7,554	7,428
	<u>14,824</u>	<u>10,563</u>

21. Accrued income and prepayments (under assets)

	2003	2002
Interest	6,409	8,139
Other	1,572	2,326
	<u>7,981</u>	<u>10,464</u>

22. Difference between the nominal value and the book value of liabilities

DEBT SECURITIES ISSUED TO THE PUBLIC	2003	2002
Difference between nominal value and lower book value	6,290	7,886
Difference between book value and lower nominal value	0	291

SUBORDINATED LIABILITIES

Difference between book value and lower nominal value	16	0
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23. Debt securities issued to the public

	2003	2002
Certificates of deposit	322,879	310,714
Bonds	<u>110,431</u>	<u>123,187</u>
	433,311	433,901

24. Other liabilities

	2003	2002
Cash items in the process of collection	13,101	9,187
Derivative contracts	7,179	3,008
Other	<u>9,705</u>	<u>11,589</u>
	29,986	23,783

25. Accrued expenses and deferred income (under liabilities)

	2003	2002
Interest	8,251	12,826
Other	<u>5,357</u>	<u>3,105</u>
	13,608	15,931

26. Subordinated liabilities

1999 DEBENTURE LOAN	2003	2002
Amount of liability	10,000	10,000
Interest rate: 3-month EURIBOR + 1.94 %		
Maturity date: January 15, 2009		
2000 DEBENTURE LOAN		
Amount of liability	12,489	12,489
Interest rate: 5.25 %		
Maturity date: May 20, 2005		
2003 DEBENTURE LOAN		
Amount of liability, nominal	2,002	0
Interest rate: 3.50 %		
Maturity date: May 5, 2008		

The loans may be repurchased before maturity, but this is possible only with the permission of the Financial Supervision Authority. In case the Bank is dissolved, the loans are subordinate to the Bank's other obligations.

27. Change in equity capital

SHARE CAPITAL	2003	2002
January 1	20,318	20,254
Conversion of capital loan	5	64
Subscription by exercising warrants	<u>1,764</u>	<u>0</u>
December 31	22,086	20,318
RESERVE FUND		
January 1	25,129	25,129
December 31	25,129	25,129
REVALUATION RESERVE		
January 1	350	350
December 31	350	350
SHARE PREMIUM ACCOUNT		
January 1	13,746	13,332
Conversion of capital loan	31	414
Subscription by exercising warrants	<u>11,189</u>	<u>0</u>
December 31	24,966	13,746
CAPITAL LOAN		
January 1	9,856	10,333
Conversion	-35	-478
December 31	9,820	9,856

UNRESTRICTED EQUITY	2003	2002
January 1	10,328	10,438
Dividend distribution	-10,168	-10,067
Profit for the year	<u>10,995</u>	<u>9,957</u>
December 31	11,155	10,328
GROUP – UNRESTRICTED EQUITY		
January 1	27,950	28,317
Dividend distribution	-10,168	-10,067
Profit for the year	<u>10,598</u>	<u>9,700</u>
December 31	28,380	27,950

28. Non-distributable items in unrestricted equity

Of unrestricted equity in the consolidated balance sheet, EUR 16,096,000 is non-distributable. This is the equity capital portion of untaxed reserves in the parent Bank. The distributable equity in the Group is thus EUR 12,284,000 and in the Parent Company EUR 11,155,000.

29. Rights, equity warrant and convertible loan issues approved during the financial year

There are currently no valid authorisations by the General Meeting regarding rights issues, the issuance of equity warrants and convertible loans.

30. Capital loan

CONVERTIBLE CAPITAL LOAN	2003	2002
Amount outstanding	9,820	9,856

The interest rate on the loan is 6 per cent and the maturity date is April 2, 2007. Lenders are not entitled to demand early repayment. The Annual Report explains the terms for conversion to shares. During the period July 1, 2003–January 31, 2004, holders applied for conversion of EUR 40,000 of the capital loan, which entitles them to 2,664 shares.

31. Maturity breakdown of claims and liabilities

CLAIMS	TOTAL	-3 MO	3-12 MO	1-5 YRS	5- YRS
Debt securities eligible for refinancing with central banks	263,081	241,856	161	21,064	0
Credit institutions	79,976	79,976	0	0	0
The public and public sector entities	1,405,301	141,192	181,423	551,135	531,551
Other debt securities	<u>6,924</u>	<u>517</u>	<u>5,506</u>	<u>901</u>	<u>0</u>
	1,755,282	463,541	187,090	573,100	531,551
LIABILITIES					
Credit institutions and central banks	93,107	11,288	65,000	16,819	0
The public and public sector entities	1,139,811	1,090,208	27,762	17,486	4,355
Debt securities issued to the public	433,311	206,146	166,689	60,475	0
Subordinated liabilities	<u>24,507</u>	<u>0</u>	<u>0</u>	<u>14,507</u>	<u>10,000</u>
	1,690,735	1,307,642	259,451	109,287	14,355

The bank has no claims on the public and public sector entities that are payable on demand. Deposits other than time deposits are classified in the shortest maturity category.

32. Assets and liabilities in euro and other currencies

	2003		2002	
CLAIMS	EURO	OTHER CURRENCIES	EURO	OTHER CURRENCIES
Debt securities eligible for refinancing with central banks	263,081	0	175,863	0
Credit institutions and central banks	15,501	61,475	156,001	46,379
The public and public sector entities	1,391,791	13,510	1,233,925	25,668
Other debt securities	6,924	0	25,665	0
Other assets	<u>92,227</u>	<u>5,996</u>	<u>143,144</u>	<u>4,980</u>
	1,769,525	80,982	1,734,598	77,027
LIABILITIES				
Credit institutions and central banks	84,441	8,666	99,669	11,831
The public and public sector entities	1,068,034	71,778	1,038,281	63,342
Debt securities issued to the public	433,311	0	433,901	0
Subordinated liabilities	24,507	0	22,489	0
Other liabilities	<u>43,548</u>	<u>46</u>	<u>39,653</u>	<u>62</u>
	1,653,840	80,490	1,633,993	75,235

33. Income taxes

	2003	2002
Income taxes on normal operations	4,488	4,048
Income taxes on extraordinary items	0	0
	<u>4,488</u>	<u>4,048</u>

34. Assets pledged on own behalf or on behalf of others

LIABILITIES AND OTHER COMMITMENTS ON OWN BEHALF FOR WHICH COLLATERAL HAS BEEN PLEDGED IN THE FORM OF A MORTGAGE OR PROPERTY LIEN	2003	2002
Liabilities to the public and public sector entities	0	38
Other commitments	29,711	36,653

BOOK VALUE OF ASSETS PLEDGED FOR ABOVE LIABILITIES AND COMMITMENTS

Debt securities	53,423	42,524
Land and buildings	0	88
Other assets	0	1,556

No assets have been pledged as collateral other than on the Bank's own behalf.

35. Pension liabilities

	2003	2002
Actuarial liability of Ålandsbanken Abp:s Pensionsstiftelse	13,410	12,205
Actuarial deficit in the book value of the pension fund	0	0

The probable market value of the pension fund's assets exceeded its actuarial liability by about EUR 4 M. The Bank intends to apply for a refund of 1.1 M in surplus contributions during 2004.

36. Lease liabilities

	2003	2002
Leasing rentals to be paid the following year	1,126	1,257
Leasing rentals to be paid during subsequent years	1,079	726

37. Off-balance sheet commitments

	2003	2002
Guarantees	9,767	9,650
Unutilised overdraft facilities	60,987	55,472
Lines of credit	<u>42,815</u>	<u>37,595</u>
	113,569	102,717

Contingent liabilities on behalf of Group companies

Guarantees and liens	0	0
Irrevocable commitments	119	42

Contingent liabilities on behalf of associated companies

Guarantees and liens	0	0
Irrevocable commitments	68	68

38. Derivative contracts

VALUE OF UNDERLYING PROPERTY	2003		2002	
	FOR HEDGING PURPOSES	OTHER	FOR HEDGING PURPOSES	OTHER
<i>Interest rate derivatives</i>				
Option contracts				
Purchased	15,000	0	15,000	0
Written	0	15,000	0	15,000
Interest rate swap contracts	241,300	4,565	170,640	19,505
<i>Currency derivatives</i>				
Forward contracts	2,318	2,718	6,826	7,150
Interest rate and currency swap contracts	163	0	0	0
<i>Equity derivatives</i>				
Option contracts				
Purchased	112,289	673	95,582	3,719
Written	0	112,289	3,167	95,582
	<u>371,070</u>	<u>135,245</u>	<u>291,215</u>	<u>140,955</u>
<i>Equivalent credit values of the contracts</i>				
Interest rate derivative contracts	4,737		5,717	
Currency derivative contracts	112		1,115	
Equity derivatives	<u>15,304</u>		<u>9,920</u>	
	20,154		16,752	

39. Accounts receivable and payable due to assets sold and purchased on behalf of customers

	2003	2002
Accounts receivable	1,301	3,195
Accounts payable	2,050	3,085

40. Figures on staff and members of administrative and supervisory bodies

	2003	2002
Average number of full-time employees during year	317	307
Change from previous year	+ 10	+ 8
Average number of part-time employees during year	88	85
Change from previous year	+ 3	+ 6
<i>Salaries and fees paid to</i>		
Members of the Supervisory Board	32	45
Members of the Board of Directors	45	0
Managing Director and CEO	216	215
Other members of the Executive Team/Board of Management	538	487

The amount includes the value of fringe benefits. There was an earnings-based bonus programme for the Bank's Board of Management, which was replaced on May 9 by a new Board of Directors. The Bank's earnings did not lead to a bonus payment. There is no bonus programme either for the current Board of Directors or Executive Team. There are no pension commitments to the members of the Supervisory Board or Board of Directors. The pension benefits of the Managing Director and CEO are based on customary terms of employment.

Loans to members of administrative and supervisory bodies and to companies which they control:

Members of the Supervisory Board	11,353	29,207
Members of the Board of Directors/Board of Management and the Managing Director	211	857
Auditors	1	1

Guarantees and other off-balance sheet obligations on behalf of members of administrative and supervisory bodies and of companies which they control:

Members of the Supervisory Board	92	1,540
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GROUP

<i>Salaries and fees paid to</i>		
Members of the Supervisory Board	32	45
Members of Boards of Directors	45	0
Managing Directors	357	351
Other members of the Executive Team/Board of Management	538	487

List of private shareholdings in the Bank of Åland Plc by members of the Supervisory Board

	SERIES A SHARES	SERIES B SHARES	TOTAL SHARES	% OF SHARES	% OF VOTES
<i>Kjell Clemes</i>	346	2,002	2,348	0.02 %	0.01 %
<i>Göran Bengtz</i>	712	454	1,166	0.01 %	0.01 %
<i>Trygve Eriksson</i>	119	900	1,019	0.01 %	0.00 %
<i>Johan Eklund</i>	883	0	883	0.01 %	0.02 %
<i>Ben Lundqvist</i>	32,000	0	32,000	0.29 %	0.59 %
<i>Trygve Sundblom</i>	44	29	73	0.00 %	0.00 %
Total	34,104	3,385	37,489	0.34 %	0.63 %

List of private shareholdings in the Bank of Åland Plc by members of the Board of Directors

<i>Göran Lindholm</i>	1,861	1,309	3,170	0.03 %	0.04 %
<i>Sven-Harry Boman</i>	55	37	92	0.00 %	0.00 %
<i>Kent Janér</i>	0	0	0	0.00 %	0.00 %
<i>Agneta Karlsson</i>	40	28	68	0.00 %	0.00 %
<i>Leif Nordlund</i>	12	12	24	0.00 %	0.00 %
<i>Tom Palmberg</i>	0	0	0	0.00 %	0.00 %
Total	1,968	1,386	3,354	0.03 %	0.04 %

List of private shareholdings in the Bank of Åland Plc by members of the Executive Team

<i>Edgar Vickström</i>	0	0	0	0.00 %	0.00 %
<i>Anders Ingves</i>	13	1	14	0.00 %	0.00 %
<i>Lars Donner</i>	747	0	747	0.01 %	0.01 %
<i>Jan Tallqvist</i>	0	0	0	0.00 %	0.00 %
<i>Bengt Lundberg</i>	20	5	25	0.00 %	0.00 %
<i>Dan-Erik Woivalin</i>	0	0	0	0.00 %	0.00 %
Total	780	6	786	0.01 %	0.01 %

41. Shares held as financial fixed assets

SHARES AND PARTICIPATIONS HELD AS FINANCIAL FIXED ASSETS	2003	2002
Number of companies	11	11
Total book value	129	129

This note does not include Group and associated companies or real estate corporations.

42. Asset management

THE BANK OF ÅLAND PROVIDES THE FOLLOWING ASSET MANAGEMENT SERVICES, AMONG OTHERS:

- property deed and mortgage services
- estate inventory and administration services
- securities custody and brokerage
- portfolio management

43. Changes in Group structure

During 2003, no change occurred in Group structure that affects the possibility of comparing the year's accounts with those of the preceding year.

44. Subsidiaries included in the consolidated financial statements

COMPANY	REGISTERED OFFICE	OWNERSHIP
Klintens Trä Ab	Mariehamn	100%
Ålandsbanken Fondbolag Ab	Mariehamn	100%
Ålandsbanken Asset Management Ab	Helsinki	78%
Ålands Företagsbyrå Ab	Mariehamn	21%

45. Subsidiaries excluded from the consolidated financial statement

The number of subsidiaries excluded from the consolidated financial statements is 9, with an aggregate balance sheet total of EUR 4.0 M according to the most recently available accounts. These companies consist of 5 housing and real estate corporations with an aggregate balance sheet total of EUR 2.9 M and 4 other companies with an aggregate balance sheet total of EUR 1.1 M. Inclusion of these subsidiaries in the consolidated financial statements would have a negligible impact on the Group's unrestricted equity capital.

46. Associated companies excluded from the consolidated financial statements

The number of associated companies excluded from the consolidated financial statements is 11, with an aggregate balance sheet total of EUR 8.8 M according to the most recently available accounts. These companies consist of 9 housing and real estate corporations with an aggregate balance sheet total of EUR 8.2 M and 2 other companies with an aggregate balance sheet total of EUR 0.6 M. Inclusion of these companies in the consolidated financial statements would have a negligible impact on the Group's unrestricted equity capital.

47. Imputed taxes due

Imputed taxes due, EUR 6,574,000, are based on appropriations in the accounts of the parent Bank.

PROPOSED DISTRIBUTION OF PROFIT

The Board of Directors proposes that the Bank's profit for the year, EUR 10,995,064.81, and its profit brought forward from prior years, EUR 159,487.73, totalling EUR 11,154,552.54, be distributed as follows:

	EURO
1. For Series A and Series B shares outstanding as of December 31, 2003, a dividend of EUR 1.00 per share, totalling	10,943,321.00
2. For Series B shares subscribed through conversion of the capital loan during the period July 1, 2003–January 31, 2004, a dividend of EUR 1.00 per share, totalling	17,044.00
3. To remain in the accounts as undistributed earnings	<u>194,187.54</u>
	11,154,552.54

Mariehamn, February 13, 2004

Göran Lindholm
Agneta Karlsson

Leif Nordlund
Tom Palmberg

Sven-Harry Boman
Edgar Vickström, Acting Managing Director

Kent Janér

STATEMENT OF THE SUPERVISORY BOARD

The financial statements and consolidated financial statements for 2003 were drawn up in accordance with the principles established by the Supervisory Board, which confirms these statements for presentation to the Shareholders' Meeting and approves the proposal of the Board of Management for the distribution of profit.

Mariehamn, February 13, 2004

Kjell Clemes
Trygve Eriksson

Göran Bengtz
Ben Lundqvist

Johan Eklund
Trygve Sundblom

AUDITORS' REPORT

TO THE SHAREHOLDERS OF THE BANK OF ÅLAND PLC

We have examined the accounts, financial statements and administration of the Bank of Åland Plc for the accounting period January 1–December 31, 2003. The financial statements, which were submitted by the Board of Directors and the Managing Director, comprise the Report of the Directors and the consolidated and Parent Company income statements and balance sheets as well as the notes to the financial statements. Having completed this examination, we herewith submit our statement of opinion on the financial statements and administration.

Our examination was conducted according to generally accepted auditing standards. In doing so, we examined the accounts, the accounting principles applied and the contents as well as the presentation of the financial statements to a sufficient extent to conclude that the financial statements do not contain significant errors or omissions. In examining the administration, we have studied whether the members of the Supervisory Board and Board of Management as well as the Managing Director have handled the administration

of the Bank's affairs in compliance with the provisions of the legislation in force.

In our view, the financial statements, which show a profit of EUR 10,995,064.81 for the Parent Company, were prepared in accordance with the Accounting Act and other legal provisions and regulations as to how financial statements shall be prepared. The financial statements provide accurate and sufficient information on the results of Group and Parent Company operations and on their financial position, in the manner intended by the Accounting Act. The financial statements, including the consolidated financial statements, may be adopted and the members of the Parent Company's Supervisory Board and Board of Management as well as the Managing Director may be discharged from liability for the accounting period examined by us. The proposal of the Board of Management for the distribution of the unrestricted equity stated in the balance sheet is in compliance with the provisions of the Companies Act.

Mariehamn, February 13, 2004

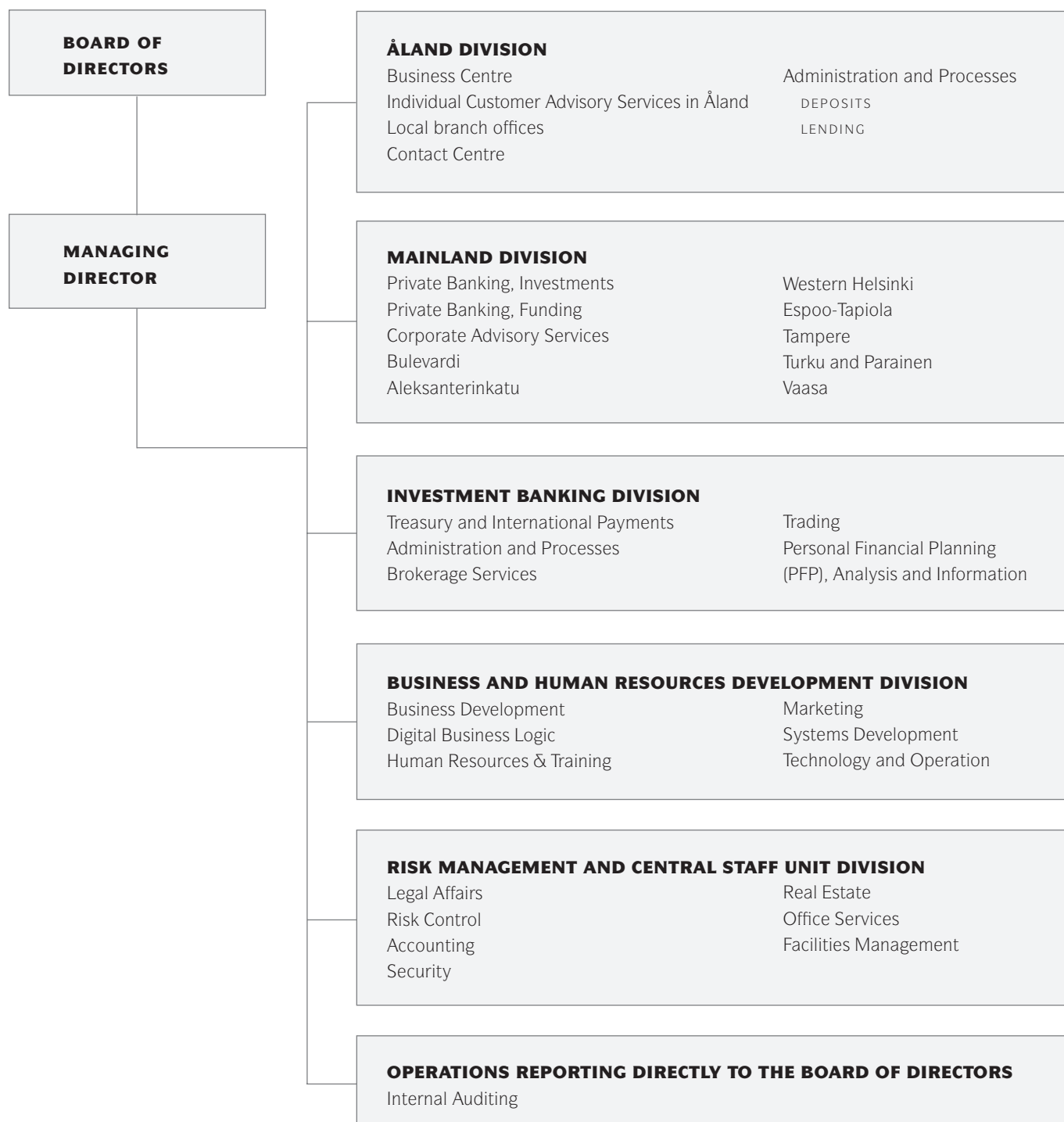
Leif Hermans
Certified Public Accountant

Per-Olof Johansson
Certified Public Accountant

Marja Tikka
Certified Public Accountant

ORGANISATION FROM MARCH 1, 2004

BANK OF ÅLAND PLC



BOARD OF DIRECTORS, MANAGING DIRECTOR, SENIOR MANAGERS

BOARD OF DIRECTORS

Göran Lindholm, Chairman
Leif Nordlund, Vice Chairman
Sven-Harry Boman
Kent Janér
Agneta Karlsson
Tom Palmberg

MANAGING DIRECTOR

Peter Grönlund

Executive Team

Lars Donner
Anders Ingves
Bengt Lundberg
Jan Tallqvist
Edgar Vickström
Dan-Erik Woivalin

ÅLAND DIVISION

Edgar Vickström, Deputy Managing Director, Head of Division,
General Manager

Business Centre, Bengt Lundberg, General Manager
Individual Customer Advisory Services in Åland, Birgitta Dahlén,
Department Manager
Branch Offices, Kenneth Mörn, Regional Manager
Gunilla Roberts, Deputy Regional Manager
Contact Centre, Nina Granqvist, Department Manager
Administration and Processes
DEPOSITS, Barbro M Andersson, Department Manager
LENDING, Bengt Mattsson, Department Manager

MAINLAND DIVISION

Head of Division, vacancy

Private Banking, Jan Tallqvist, General Manager
ADMINISTRATION, Monica Mickos, Administrative Manager
CORPORATE ADVISORY SERVICES, Pekka Nuutinen, General Manager
INVESTMENTS, Merja Simberg, Investment Director
FUNDING, Maria Bernas-Hilli, General Manager
Bulevardi (Bulevarden) Office, Kim Wikström, General Manager
Aleksanterinkatu (Alexandersgatan), Anne-Marie Salenius, General
Manager
Western Helsinki, Tuula Lehmukoski, General Manager
Espoo-Tapiola (Esbo-Hagalund), Marja Latola, General Manager
Tampere (Tammerfors), Leena Honkasalo-Lehtinen, General Manager
Turku (Åbo), Beatrice Ramström, General Manager
Parainen (Pargas), Jan-Peter Pomrén, Branch Director
Vaasa (Vasa), Lars Lönnblad, General Manager
Sales Support, Maarit Vesala, Sales Director

INVESTMENT BANKING DIVISION

Bengt Lundberg, Head of Division, General Manager

Treasury, Terttu Ahtiainen, Department Manager
INTERNATIONAL PAYMENTS, Gun-Marie Sandell, Supervisor

Administration and Processes, Thomas Nordlund,
Department Manager
Brokerage Services, Carl Magnus Gardberg, Investment Director
Trading, Tomas Storgård, Chief Trader
FPF, Analysis and Information, Ola Sundberg, Supervisor

BUSINESS AND HUMAN RESOURCES DEVELOPMENT DIVISION

Anders Ingves, Deputy Managing Director, Head of Division,
General Manager

Business Development, Peter Wiklöf, General Manager
Digital Business Development, Jan Erik Sundberg,
Department Manager
Personnel and Training, Gunilla Blomroos, Personnel Manager
HUMAN RESOURCE DEVELOPMENT, Gerd Haglund
Marketing, Tiina Björklund, Marketing Manager
Utv "Bankdatasystem" Ab
Systems Development, Ove Hellman, Department Manager

BASIC SYSTEMS, Harry Lindqvist, Supervisor
PAYMENT SYSTEMS, Teija Engman, Supervisor
CAPITAL MARKET SYSTEMS, Mona Karlsson, Supervisor
UNIX SYSTEMS, Henrik Granholm, Supervisor
INTRANET, Maria Pettersson, Supervisor
PROJECTS, Eva Wahlberg-Jäntti, Supervisor
Technology and Operation, Brage Styrström, Department Manager
TECHNICAL DEVELOPMENT, Björn Ternström, Supervisor

RISK MANAGEMENT AND CENTRAL STAFF UNIT DIVISION

Lars Donner, Head of Division, General Manager

Legal Affairs, Dan-Erik Woivalin, Department Manager
Risk Control, Bernt-Johan Jansson, Department Manager
Accounting, Michael Hilander, Department Manager
Security, Ann Lindqvist-Öst, Department Manager
Real Estate, Göran Sundblom, Department Manager
Office Services, Lars-Olof Hellman, Supervisor
Environmental Affairs, Sven-Åke Löfström
Facilities Management, Annika Lundqvist, Manager

OPERATIONS REPORTING DIRECTLY TO THE BOARD OF DIRECTORS

Internal Auditing, Tom Bengtsson, Department Manager

SUBSIDIARIES AND ASSOCIATED COMPANIES

Ålandsbanken Asset Management Ab
Stefan Törnqvist, Managing Director

Ålandsbanken Fondbolag Ab
Tom Pettersson, Managing Director

Ålands Företagsbyrå
Erika Sjölund, Managing Director

Ålands Fastighetskonsult Ab
Erolf Fellman/Roger Karlsson

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BANK OF ÅLAND

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